

1 possibility of vacating their current headquarters facilities and relocating a substantial
2 portion of their operations. The combined company will require less new corporate
3 space than the sum of the individual Companies.

4 **Q. What was the magnitude of savings associated with facilities consolidation?**

5 A. Assuming prevailing market rates and average annual lease and facility operating
6 costs for each of the Companies associated with the various corporate facilities,
7 reduced facilities costs for the total estimated square-footage reduction were
8 estimated at \$40.4 million over the ten-year period. One-time capital savings for
9 those buildings assumed to be sold were calculated by taking the fair market value, or
10 book value, of the facility after applying a 40% tax rate and then applying the revenue
11 requirements rate yielding a ten-year revenue requirements savings of \$1.9 million.
12 Total facilities savings including O&M and revenue requirements were estimated to
13 be \$42.3 million for over the ten-year period.

14 **Q. Could these savings be achieved absent a merger?**

15 A. No. The facilities consolidation is possible only as the result of the consolidation of
16 the Companies and of the position reductions described above. If the Companies
17 were to remain as separate corporate entities, or if there were no merger to generate
18 the position reductions, then these savings could not occur.

1 **g. Information Services (IS)**

2 **Q. Please briefly describe the information systems departments of the Companies.**

3 A. Both BEC Energy and COM/Energy perform information services ("IS") to support
4 the information processing needs of each Company, although COM/Energy's services
5 are principally outsourced to International Business Machines ("IBM"). The need for
6 systems development for each company is ongoing with both Companies
7 continuously involved in such efforts. Both Companies have independent plans to
8 develop systems in a variety of areas over the next several years, including parallel
9 systems development efforts. For example, both BEC Energy and COM/Energy
10 expect to undertake and implement new Work Management Systems in the near
11 future. As a result of the merger, one of the two Companies will be able to avoid
12 these expenditures.

13 **Q. How were estimated savings in this area determined, and what is their
14 magnitude?**

15 A. The merger should enable BEC Energy and COM/Energy to avoid spending duplicate
16 amounts on separate systems. When the merger is consummated, the combined
17 company plans to consolidate the respective IS requirements, thus obviating the need
18 for parallel, independent systems development efforts. Therefore, the merger can
19 create savings in avoided costs that could not be achieved absent the combination.
20 The merger will enable the combined IS department to utilize systems already in
21 place and avoid redundant new systems development. For example, BEC Energy

1 could continue the implementation of its new financial system (Oracle) in conjunction
2 with COM/Energy, which will result in the replacement of COM/Energy's existing
3 system and avoid additional expenditures for new financial systems at COM/Energy.
4 Additionally, both Companies are currently implementing new work management
5 systems. On a combined basis, one new work-management system can be avoided.
6 Finally, COM/Energy is contemplating a number of system changes necessary to
7 meet anticipated customer requirements. Specifically, COM/Energy is considering;
8 upgrading or replacing its customer information system; upgrading or replacing its
9 energy sourcing system; and implementing trouble management and AM/FM
10 systems. These system expenditures can be avoided by extending Boston Edison's
11 information technology environment across both Companies.

12 Projected capital expenditures associated with the development of duplicative systems
13 and future application development have been converted to revenue requirements
14 assuming a six-year depreciable life, which reflects the rapid obsolescence of
15 technology in today's environment.

16 Operating savings also can occur due to the elimination of software leases and
17 maintenance fees required to provide software support on personal computers. The IS
18 savings estimate also includes savings from the consolidation of the Companies' two
19 independent data centers into a single center, thereby eliminating one of the

1 mainframe systems. Over the ten-year period, IS savings are estimated to
2 total \$76.5 million.

3 **Q. Could these savings be achieved absent a merger?**

4 A. No. The elimination of duplicative system development hardware, software and
5 consolidation of data center costs can be achieved only by consolidating the two IS
6 departments into one. As a practical matter, it would be unlikely that two
7 independent utilities would share such services, hardware and software.

8 **h. Insurance**

9 **Q. Please describe the rationale for how savings can be achieved in the area of**
10 **insurance.**

11 A. Utilities generally require insurance coverage in the areas of property, directors' and
12 officers' liability and excess casualty. On a stand-alone basis, each company
13 independently carries insurance in these areas. A combined company may have a
14 reduced risk profile because of its broader and more diverse asset base, which
15 translates into lower rates. Further savings can be attained through the ability to carry
16 higher deductibles given the combined company's increased financial strength.
17 Additionally, the dollar cost per unit of coverage decreases for each additional unit of
18 coverage as the likelihood of any individual claim hitting the coverage limit
19 decreases.

1 Q. **How were the savings in the area of insurance quantified in this transaction?**
2 A. Savings on insurance premiums were calculated for property coverage, directors' and
3 officers' liability coverage and excess casualty insurance liability. These reductions
4 were derived based on discussion with brokers as well as utilizing insurance quoting
5 software. The total estimated savings for insurance over the ten-year period were
6 \$16.1 million.

7 Q. **Could the savings that have been identified in the insurance area be achieved
8 absent a merger?**
9 A. No. These savings are predicated directly on the assumption that there is a single
10 company using the total purchasing power of the combined entity to achieve lower
11 premium costs due to a different risk profile.

12 i. Professional Services

13 Q. **What gives rise to savings in the area of professional services?**
14 A. Professional services functions include such areas as audit, taxation, legal, and
15 general consulting. In many cases, these functions are duplicated at both Companies.
16 An explicit example of this would be in the case of external audits, which would be
17 integrated over both Companies at a lower total cost on a combined basis.

1 Q. **How were savings in the area of professional services quantified, and what was**
2 **their magnitude?**

3 A. The savings calculated were generated from the reduction of the combined audit fees,
4 legal fees and general consulting services. Audit savings were based on reducing the
5 total stand-alone costs of the Companies to a level reflecting a combined,
6 consolidated structure thus eliminating two separate holding company audits, for
7 example. The Companies' legal fees and general consulting services fees also were
8 reduced from current levels to reflect the ability to combine internal and external
9 resources more efficiently and effectively. The total savings resulting from these
10 reductions is \$22.6 million for the ten-year period based on the individual 1998
11 expenditures, by category, for each company and anticipated future levels.

12 Q. **Could these savings be achieved absent a merger?**

13 A. No. They can be achieved only by consolidating the use of professional services into
14 one company. Otherwise, there will continue to be two sets of independent auditors,
15 two sets of external legal counsel and overlapping sets of general consultants.

16 j. Vehicles

17 Q. **Please describe how vehicles would be affected by the merger.**

18 A. The combined company will reduce the total number of corporate employees. Due to
19 this reduction, the new company will require fewer fleet vehicles. Savings will be

1 realized through reduced total operating costs for passenger cars including reduced
2 personal vehicle usage reimbursement.

3 **Q. How were savings in the area of vehicles quantified?**

4 A. Savings are based on the weighted-average corporate vehicle operating cost per
5 corporate employee times the number of corporate labor reductions. Total estimated
6 savings in this area were \$1.0 million over the ten-year period based on the 1997
7 expenditures for each company and the anticipated future vehicle requirements.

8 **Q. Could these savings be achieved absent the merger?**

9 A. No. These savings are directly related to the merger in that they are derived from the
10 elimination of overlap. The opportunity for consolidation would not exist absent the
11 merger.

12 k. Shareholder Services

13 **Q. How will the merger of the Companies affect the expenses incurred by the
14 corporate secretary and shareholder services departments?**

15 A. In addition to the labor savings identified, cost savings are anticipated to result
16 through the combination of transfer agents, the elimination of duplicative investor
17 relations activities and a reduction in the total cost of processing transactions.

1 Q. **What is the level of savings that is estimated to be achieved, and how was it
2 calculated?**

3 A. The total ten-year estimated savings in the area of shareholder services are
4 approximately \$1.7 million based on the expenditures of each of the Companies in
5 1997. The savings were based on a reduction in the combined nonlabor shareholder
6 services costs in duplicate activities such as stock transfer services. Further savings
7 result from elimination of the smaller company's costs associated with annual
8 meetings, annual reports, dividend costs, and systems development.

9 Q. **Could these savings be achieved absent a merger?**

10 A. No. These savings are predicated directly on the elimination of costs related to
11 duplicative activities or economies of scale from a larger company function.

12 3. Purchasing Economies

13 Q. **Mr. Flaherty, please discuss the cost savings that can be created through
14 purchasing economies.**

15 A. Combining companies can achieve savings through the centralization of purchasing
16 and inventory functions related to the construction, operation and maintenance of
17 transmission and distribution plant, service centers, warehouses and headquarters.
18 The greater purchasing power and the relative quantity of both goods and services
19 that can be obtained as a result of the combination of companies provide additional
20 cost savings. With respect to the purchase of goods (*i.e.*, materials and supplies),
21 savings can be realized in the procurement of commodity items, consumable

1 equipment (e.g., conductors, wire and cable), and other equipment for electric
2 utilities. Savings also may be realized from avoiding an initial reorder cycle from
3 certain inventory item sharing. In addition, standardization of system components
4 such as cable, meters, transformers, and conductors for electric utilities can be
5 achieved through a common design process, providing additional savings
6 opportunities.

7 With respect to the procurement of services, particularly contract services such as tree
8 trimming and construction assistance, expenditures can be consolidated through a
9 combination and typically contracted from fewer sources. Cost savings are created by
10 achieving a lower per-unit cost for the service provided due to a broader contract or
11 the repackaging of work into more attractive options to the contractor. This volume
12 purchasing of service is the primary method through which service procurement
13 savings are realized.

14 a. Procurement

- 15 Q. **What are the merger cost savings available from combined procurement of
16 materials and supplies?**
- 17 A. Procurement savings should result from larger purchasing volumes and the
18 availability of greater purchasing power. Annual purchases for 1998 for BEC Energy
19 were estimated at approximately \$30.2 million, while for COM/Energy they were
20 approximately \$12.0 million. Savings were estimated for each of the principal

1 materials categories, e.g., consumables, and represent an estimated 5-7% reduction in
2 total materials costs from extending the purchasing power across the broad range of
3 commodity categories. This amount was determined based on the experience of other
4 companies, review of certain component per unit costs, management's knowledge of
5 vendors and potential approaches to material standardization and vendor
6 concentration. The combined company may experience a larger impact on
7 COM/Energy unit prices from the larger BEC Energy procurement volume.
8 Although both Companies already procure certain volumes of materials, BEC Energy
9 volumes exceed those of COM/Energy and it is likely that either regional distributors
10 may be utilized or more direct purchasing will occur from manufacturers. This
11 purchasing leverage enhancement reflects permanent economies of scale through
12 lower unit costs. Total savings from procurement were estimated at \$34.9 million
13 over the ten-year period.

- 14 Q. **Should any of the materials and supplies savings be treated as capital savings?**
15 A. Yes. Approximately 70% of the materials and supplies savings has been allocated to
16 capital accounts based on the combined company's estimated capitalization rate for all
17 materials and supplies. Once again, the applicable yearly fixed charge rate was
18 applied to convert the capital cost reductions into revenue-requirement savings.

1 **b. Inventory**

- 2 Q. **How are inventory savings resulting from the merger calculated?**
- 3 A. Similarity in the systems - electrical distribution and transmission - will offer the
4 potential for inventory reduction from standardization and limited sharing of parts and
5 components. For example, each company maintains common spare parts for its
6 transmission and distribution facilities that can be shared. These spares will provide
7 backup and reduce a reorder cycle when replacement is required. The combination
8 will allow for some consolidation of existing inventory levels to maintain the
9 appropriate level of spare parts that eliminates redundancy and duplication. The
10 average 1998 inventory levels for nonfuel, non-generating material and supplies were
11 identified at \$17.9 million for BEC Energy and \$7.8 million for COM/Energy. These
12 levels were estimated to be reduced by approximately 6% of the combined
13 transmission and distribution related inventory. These reductions reflect a one-time
14 benefit and are based on the experience of previous companies and management's
15 expectations for standardization and material substitutability. The annual fixed-
16 charge rate described previously was then applied to the one-time permanent
17 inventory reduction to calculate the total savings from inventory reductions. The total
18 estimated inventory savings were \$1.4 million for the ten-year period. Generation
19 inventory was excluded from this analysis.

1 The level of the one-time reduction reflects the experience of other companies in
2 similar undertakings. Unique items, such as certain engineered equipment will be
3 less standardized and shareable. However, normal commodities and consumables,
4 such as cable, and other engineered items such as transformers are more standardized
5 and common to both systems. The sharing of these items effectively reduces the need
6 for inventory replenishment and extends the reorder cycle.

7 c. Contract Services

8 **Q. What is the nature of savings from contract services as a result of the merger
9 and how were they quantified?**

10 A. Similar to consolidating materials and supplies purchasing volumes, the combined
11 company will be able to gain economies of scale from the aggregation of related work
12 activities and increased purchasing leverage with service providers. Examples of
13 these services include tree trimming, certain construction, etc.

14 The savings estimate also is dependent upon future negotiations with contractors and
15 is similar to those estimated in prior transactions and represents purchasing leverage
16 savings across the broad range of these services. BEC Energy's total contract
17 services for 1998 were \$38.5 million, while for COM/Energy they were \$7.2 million.
18 The combined company thus should be able to achieve additional economies of scale
19 and scope from negotiating with competing vendors.

1 Some contract services savings should be considered capital savings. A capitalization
2 rate of 65% based on the estimated rate for the Companies was used to allocate
3 contract services expenditures to capital accounts. These savings amounts were then
4 converted to revenue requirements savings using the applicable fixed charge rate for
5 each year. The total estimated savings from contract services over the ten-year period
6 was \$10.0 million, based on 1998 dollar volumes escalated to 2000.

7 **Q. Please compare the methodology used to quantify the various categories of
8 procurement and inventory savings with the methodology used to quantify other
9 estimated savings.**

10 A. Procurement and inventory savings, which for the most part require a prediction of
11 how well the combined company will be able to use its increased size to negotiate
12 better unit prices, are more difficult to quantify precisely than savings associated with
13 the elimination of redundant expenses. It is somewhat easier today to analyze and
14 determine which costs would be redundant in a consolidated organization.
15 Predictions of future behavior cannot be determined so precisely.

16 **Q. Does that mean that the estimated inventory and procurement savings are less
17 likely to occur?**

18 A. No. Review of the results of prior transactions shows that the expected purchasing
19 leverage does emerge and that the savings level estimates made in such transactions
20 prior to consummation can be achieved.

- Q. Could these savings be achieved absent a merger?
- A. No. These savings are predicated directly on the assumption that there is a merged company that has greater purchasing leverage.

4. Energy Sourcing

- Q. Mr. Flaherty, please discuss the cost savings that can be created through energy sourcing.
- A. As mentioned earlier in this section, the combined company will have the opportunity to reduce future expenditures for capacity and energy by coordinating and optimizing planning and purchasing for future energy requirements. The combination of the two Companies will create system diversity due to differences in the timing of peak demands between the systems. The load diversity of the combined system will allow for the elimination of a portion of purchased capacity now planned by the two stand-alone Companies. The elimination of these forecast purchases will reduce the overall capacity costs incurred by the combined Companies.

4 Specifically, load diversity from different load and peaking profiles between the Boston Edison and Cambridge/Commonwealth Electric systems will provide, for example, an estimated 0.5% reduction (approximately 13-18 MW) in combined versus stand-alone July and August 2000 peaks that can allow planned capacity purchases to be avoided. Savings are based on: (1) estimating the load reductions for all monthly peaks; and (2) projecting the avoided costs of purchasing capacity

1 otherwise needed to support those load-reduction amounts. The available benefits
2 from avoided capacity costs are estimated at \$7.1 million over the 2000-2009 period.
3 An additional, and potentially more significant, opportunity to reduce purchased
4 energy and capacity costs arises from the increased volume the combined company
5 will purchase relative to either company on a stand-alone basis. The determination of
6 savings arising from vendor leverage requires a prediction of how well the combined
7 company will be able to use its increased size to negotiate better unit prices.

8 **Q. Could these savings be achieved absent a merger?**

9 A. No. These savings are predicated directly on the assumption that there is a merged
10 company that has load diversity that does not exist on a stand-alone basis.

11 VIII. COSTS TO ACHIEVE

12 **Q. Please describe the approach used to estimate the costs that will be incurred to**
13 **bring about the integration of the two companies.**

14 A. Costs are incurred in all merger transactions from the process of combining the two
15 entities and attaining the identified cost savings. These costs reflect out-of-pocket
16 cash payments and usually are one-time payouts incurred as a result of the merger.

17 **Q. Please explain the process by which the costs to achieve were estimated by the**
18 **companies.**

19 A. Management discussed the consolidation requirements and the estimated integration
20 costs associated with the merger. The functional analysis described above that was

1 used to determine duplicative functional areas where employee reductions would
2 likely occur was used also to estimate the number of positions that would need to be
3 relocated to achieve the merger cost savings. The costs that will be incurred in
4 systems integration, internal and external communications and other miscellaneous
5 expenses also were identified. The methodology used by the Companies to develop
6 the costs to achieve estimates was comprehensive, and similar to that used by other
7 companies in estimating such costs.

8 Q. **What expenses are estimated to be incurred to merge the companies?**

9 A. Costs to achieve are estimated at \$111 million over ten years, with the costs to be
10 incurred in large part over the two years beginning in 2000. These cost estimates are
11 consistent with estimates made by companies in other similar prior transactions and
12 reflect differences in scale and scope and the unique circumstances of this merger.

13 Q. **What are the primary components of the costs to achieve the estimated savings?**

14 A. The primary components used to estimate costs to achieve were separation costs
15 (estimated to cost \$27.1 million), relocation costs (\$1.0 million), retention costs
16 (\$3.0 million), systems integration (\$44.7 million), internal/external communications
17 costs (\$2.0 million), regulatory process costs (\$5.1 million), transition costs (\$7.0
18 million), directors' and officers' tail liability coverage (\$1.9 million), facilities
19 reconfiguration costs (\$1.5 million), telecommunications costs (\$0.7 million) and
20 transaction costs (\$17.1 million).

1 **Q. Please describe the means the Companies anticipate using to achieve the**
2 **estimated position reductions.**

3 A. A major component of the merger cost savings is the reduction in work force which is
4 primarily due to the elimination of duplicative functions and tasks. These reductions
5 are expected by the Companies to be achieved through a variety of means including
6 attrition, controlled hiring, work force redeployment and work realignment, and
7 through some targeted separation as well. For these targeted separations, out-of-
8 pocket costs will be incurred to achieve the total position reductions.

9 **Q. How were the level of costs to achieve for work force reductions calculated?**

10 A. The estimate used for the severance package calculation was two weeks of base pay
11 per year of service, plus nine months of health benefits from the date of separation.
12 This package reflects general parameters utilized in other previous transactions. The
13 Companies anticipated that the eliminated positions will be offered severance
14 packages in conjunction with the work-force reductions. These programs are to be
15 more fully defined during the transition process based on additional considerations of
16 the management and human resources philosophy of the combined company and
17 more specific analysis on the timing and location of reduced positions. An additional
18 amount of \$3.0 million for employee retention has also been identified to secure
19 valuable positions, such as in the information technology area, during the transition
20 period.

- 1 Q. **Explain how relocation costs were calculated.**
- 2 A. To provide for efficient consolidation, certain functional areas will be centralized and
3 thus require employee relocation to a new site. Based on the functional analysis, it
4 was determined that a number of positions possibly would need to be relocated.
5 Relocation expenses were estimated at a total of \$1.0 million. The cost of the actual
6 package to be offered to eligible positions has not yet been determined. The
7 components of a relocation program could include moving expenses, house hunting
8 costs, cost of living differentials, and closing costs. These cost estimates are
9 consistent with estimates made by companies in prior similar transactions.
- 10 Q. **Explain how systems consolidation and telecommunications networking costs
11 were calculated.**
- 12 A. Significant effort will be expended by the Companies in integrating the information
13 technology and services functions of the Companies. These efforts will relate to
14 reducing redundancy, integrating systems, and linking databases. Further, voice, data
15 and video networks will need to be integrated through expanded telecommunications
16 capabilities. Integration costs for these areas were estimated at \$45.4 million total,
17 composed of \$44.7 million and \$0.7 million, respectively, for systems and
18 telecommunications. These cost estimates cover contract programming, hardware
19 changeout and conversion, increased T-1/T-3 capacity, and outside assistance and
20 reflect scale, complexity, and platform differences. These expenses associated with
21 systems and communications integration are expected to principally be incurred in

1 2000 and 2001, but will carry through the full period to reflect additional hardware
2 lease costs.

3 **Q. Can you describe the regulatory process costs to achieve related to the merger?**
4 A. To complete the merger successfully, certain costs will be incurred for preparation
5 and pursuit of regulatory filings, such as those related to the Securities and Exchange
6 Commission, Federal Energy Regulatory Commission, and Department of Justice
7 filings and the Rate Plan case before the Department of Telecommunications and
8 Energy. These costs will include professional services for legal, tax, accounting and
9 consulting assistance. Regulatory process costs are estimated at \$5.1 million.

10 **Q. Please describe the estimated internal and external communications costs to**
11 **achieve savings.**
12 A. Communication expenses will arise from the need to disseminate merger information
13 to the various stakeholders of the individual organizations and combined company.
14 Informational brochures will be sent to customers, employees, shareholders, rating
15 agencies, and state and federal commissions to explain the specifics of the merger.
16 These expenditures are estimated to cost \$2.0 million.

17 **Q. Please explain the transaction cost component included within the total costs to**
18 **achieve.**
19 A. Transaction costs include amounts paid to professional services firms for assistance
20 with certain aspects of the merger. These costs specifically relate to fees paid to

1 investment bankers for assistance in transaction structuring and negotiation and the
2 provision of a fairness opinion, as well as, certain legal assistance. Total transaction
3 fees are estimated at \$17.1 million for the above categories and are paid in the first
4 year of the transaction.

5 **Q. Are there additional costs to achieve the savings that will be incurred?**

6 A. Yes. Other costs that were estimated to be attributed to the merger are transition costs
7 (\$7.0 million), facilities reconfiguration (\$1.5 million) and director and officer
8 ("D&O") tail coverage (\$1.9 million). Additional D&O tail liability coverage pays
9 for incremental additions to premiums paid to protect directors and officers. Other
10 transition costs would include the use of outside professional firms to assist in the
11 integration of the combined company and other expenses, such as, travel for the
12 transition team and facilities refurbishment and leasehold improvements.

13 **Q. What is the amount of premerger initiatives included as part of the net merger
14 savings quantification?**

15 A. The stand-alone forecasts for Boston Edison for the period 2000-2007 indicate that
16 the overall impact of these cost reduction efforts is to reduce operations and
17 maintenance expense and capital related amounts by approximately \$154 million
18 cumulatively over this period on a "real" basis. That is, the currently forecasted total
19 combined operation and maintenance expense and related capital amounts in 2009

1 will be \$227 million lower over the ten-year period than the level that would be
2 expected with normal inflation applied to the 1999 level.

3 These cost-reduction initiatives have been planned to create greater efficiencies for
4 Boston Edison. These cost reduction efforts are being accomplished through process
5 improvement, reengineering, outsourcing, work elimination and contractor
6 management. Since the Boston Edison premerger initiatives will precede and carry
7 through the period over which merger related savings are expected to occur, it is
8 likely that there would be some overlap between the quantified merger cost savings
9 and these internal efforts. Therefore, the quantified merger cost savings were
10 adjusted downward to reflect these stand-alone impacts (\$23.8 million for Boston
11 Edison over the ten-year period) to future costs and to avoid double-counting any of
12 these savings.

13 Q. Does this conclude your testimony?

14 A. Yes, it does.

15

SUMMARY OF REGULATED UTILITY EXPERIENCE

Alaska Public Utilities Commission

- Anchorage Sewer Utility

Arizona Corporation Commission

- U S WEST Communications - Docket No. E-1051-88-146

Beaumont, Texas

- Entex, Inc.
- Gulf States Utilities Company

California Public Utilities Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Application No. 94-08-043
- Pacific Enterprises and ENOVA Corporation - Application No. A-96-10-038

Clark County

- Washington Public Power Supply

District of Columbia, Public Service Commissions

- Baltimore Gas and Electric Company and Potomac Electric Power Company - Formal Case No. 951

Colorado Public Utilities Commission

- Public Service Company of Colorado and Southwestern Public Service Company - Docket No. 95A-513EG

Delaware Public Service Commission

- Atlantic City Electric Company and Delmarva Power & Light Company - Docket No. 97-65

Federal Energy Regulatory Commission

- Baltimore Gas and Electric Company and Potomac Electric Power Company - Docket No. EC96-10-000
- IES Utilities Inc., Interstate Power Company, Wisconsin Power & Light Company, South Beloit Water, Gas & Electric Company, Heartland Energy Services and Industrial Energy Applications, Inc. - Docket No. EC96-13-000
- Trans-Alaska Pipeline System - Docket No. OR78-1
- Middle South Energy, Inc. - Docket No. ER-82-483-000
- Middle South Energy, Inc. - Docket No. ER-82-616-000

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- Kansas Power and Light Company and Kansas Gas and Electric Company - Docket No. EC91-2-000
- Southwestern Public Service Company and Public Service Company of Colorado - Docket No. EC96-2-000
- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. EC94-23-000
- Northern States Power Company and Wisconsin Energy Corporation - Docket Nos. EC95-16-000 and ER95-1357-000
- Midwest Power Systems Inc. and Iowa-Illinois Gas and Electric Company
- Ohio Edison Company, Pennsylvania Power Company, The Cleveland Electric Illuminating Company, and The Toledo Edison Company
- Atlantic City Electric Company and Delmarva Power & Light Company
- Union Electric and Central Illinois Public Service Company

Federal Power Commission

- Organization and Operations Review

Garland, Texas

- General Telephone Company of the Southwest
- Lone Star Gas Company

Georgia Public Service Commission

- Georgia Power Company - Docket No. 3673-U

Houston, Texas

- Houston Lighting & Power Company

Idaho Public Utilities Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Case Nos. WWP-E-94-7 and WWP-G-94-4

Illinois Commerce Commission

- Illinois Power - Docket No. 84-0055
- Iowa-Illinois Gas and Electric Company and Mid-American Company Energy - Docket No. 94-0439
- Central Illinois Public Service Company, CIPSCO Incorporated and Union Electric Company - Docket No. 95-0551

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Iowa Utilities Board

- Midwest Resources Inc., Midwest Power Systems Inc. and Iowa-Illinois Gas and Electric Company - Docket No. SPU-94-14
- IES Industries Inc., Interstate Power Company, WPL Holdings, Inc.

Iowa Electric Light and Power

- Organization and Operations Review

Kansas Corporation Commission

- Southwestern Bell Telephone Company - Docket Nos. 117,220-U and 123,773-U
- Kansas Gas & Electric - Docket No. 120,924-U
- Kansas Power and Light Company and Kansas Gas and Electric Company - Docket No. 174,155-U
- Western Resources and Kansas City Power and Light - Docket No. 190,362-U
- Western Resources, Inc. and Kansas City Power and Light - Docket No. 97-WSRE-676-MER

Kentucky Public Service Commission

- Louisville Gas & Electric Company - Case Nos. 5982, 6220, 7799, 8284, 8616 and 8924
- South Central Bell Telephone Company - Case Nos. 6848, 7774 and 8150
- Kentucky-American Water Company - Case No. 8571

Louisiana Public Service Commission

- American Electric Power Company, Inc., Southwestern Electric Power Company and Central and South West Corporation – Docket No. U-23327

Maryland, Public Service Commission of

- Baltimore Gas and Electric Company and Potomac Electric Power Company

Michigan Public Service Commission

- Wisconsin Electric Power Company and Northern States Power Company - Case No. U-10913

Minnesota Public Service Commission

- Continental Telephone Company - Docket No. PR-121-1
- Northern States Power Company - Docket No. E002/GR-89-865
- Northern States Power Company and Wisconsin Energy Corporation - Docket No. E,G002/PA-95-500

Mississippi Public Service Commission

- Mississippi Power & Light Company - Docket No. U-4285

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Missouri Public Service Commission

- Union Electric Company - Case Nos. ER-84-168 and EO-85-17
- Union Electric Company and Central Illinois Public Service Company - Case No. EM-96-149
- Kansas City Power & Light Company - Case Nos. ER-85-128 and EO-85-185
- Kansas Power and Light Company and Kansas Gas and Electric Company - Case No. EM-91-213
- Southwestern Bell Telephone - Case No. TC-93-224
- Western Resources and Kansas City Power and Light

Nevada Public Service Commission

- Bell Telephone Company of Nevada - Docket No. 425
- Central Telephone Company - Docket No. 91-7026
- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. 94-8024

New Jersey Board of Public Utilities

- Atlantic City Electric Company and Delmarva Power & Light Company - Docket No. EM-97-020103

New Mexico Public Service Commission

- Public Service Company of New Mexico
- Southwestern Public Service Company and Public Service Company of Colorado - Case No. 2678

New Mexico State Corporation Commission

- Continental Telephone of the West - Docket No. 942
- General Telephone Company of the Southwest - Docket Nos. 937 and 990
- Mountain States Telephone and Telegraph Company - Docket Nos. 943, 1052 and 1142
- U S WEST Communications - Docket No. 92-227-TC

New Orleans, Louisiana

- New Orleans Public Service Company

New York, State of, Public Service Commission

- Long Island Lighting Company and Brooklyn Union Gas Company - Case 95-G-0761

Ohio Public Utilities Commission

- Ohio Bell Telephone Company - Case No. 79-1184-TP-AIR
- Cleveland Electric Illuminating Company

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Oklahoma Corporation Commission

- Organization and Operations Review
- Southwestern Bell Telephone Company - Cause No. 26755
- Public Service Company of Oklahoma - Cause Nos. 27068 and 27639
- Southwestern Bell Telephone Company - Cause No. 000662
- American Electric Power Company, Inc., Public Service Company of Oklahoma and Central and South West Corporation – Cause No. PUD-980000444

Oregon, Public Utility Commission of

- Pacific Power and Light Company - Revenue Requirements Study
- Portland General Electric Company - Revenue Requirements Study
- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. UM-696

Riverside, City of

- San Onofre Nuclear Generating Station

Sherman, Texas

- General Telephone Company of the Southwest

Tennessee Public Service Commission

- United Inter-Mountain Telephone Company - Docket Nos. U-6640, U-6988 and U-7117

Texas Attorney General

- Southwestern Bell Telephone Company

Texas, Public Utility Commission of

- Texas Power & Light Company - Docket Nos. 178 and 3006
- Southwestern Bell Telephone Company - Docket Nos. 2672, 3340, 4545 and 8585
- Houston Lighting & Power Company - Docket Nos. 2448, 5779 and 6668
- Lower Colorado River Authority - Docket No. 2503
- Gulf States Utilities Company - Docket No. 2677
- General Telephone Company of the Southwest - Docket Nos. 3094, 3690 and 5610
- Central Telephone Company - Docket No. 9981
- Southwestern Public Service Company and Public Service Company of Colorado - Docket No. 14980

Utah Public Service Commission

- Utah Power and Light Company - Docket No. 76-035-06

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Vermont Public Service Board

- New England Telephone and Telegraph Company - Docket Nos. 3806 and 4546

Waco, Texas

- Texas Power & Light Company

Washington Utilities and Transportation Commission

- The Washington Water Power Company and Sierra Pacific Power Company - Docket No. UE-94-1053 and UE-94-1054
- Puget Sound Power and Light Company and Washington Natural Gas Company

Washington Metropolitan Area Transit Authority

- D.C. Transit

Wisconsin Public Service Commission

- Northern States Power Company and Wisconsin Energy Corporation
- WPL Holdings, IES Industries Inc., Interstate Power Company, Inc. - Docket No. 6680-UM-100

Wyoming Public Service Commission

- Cheyenne Light, Fuel and Power Company (Southwestern Public Service Company and Public Service Company of Colorado) - Docket Nos. 20003-EA-95-40 and 30005-GA-95-39
- Mountain States Telephone and Telegraph Company - Docket No. 9343, Subs. 5 and 9
- Organization and Operations Review
- Pacific Power and Light Company - Docket No. 9454, Sub. 11

EXHIBIT 1JJF-3

10 Year Total Potential Savings Detail (O&M/Fixed Charge)

Potential Area (\$ In 000s)	Reductions	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Labor												
Corporate	296	\$20,107	\$25,136	\$27,900	\$29,631	\$31,443	\$33,341	\$35,327	\$37,406	\$39,582	\$41,861	\$321,734
Field	<u>66</u>	4,875	5,500	6,153	6,838	7,555	8,305	9,090	9,913	10,773	11,674	<u>80,676</u>
Total	<u>362</u>	24,982	30,635	34,054	36,469	38,998	41,645	44,417	47,318	50,356	53,536	402,410
Corporate & Administrative Programs:												
Administrative & General Overhead	\$1,216	\$1,481	\$1,631	\$1,688	\$1,746	\$1,806	\$1,868	\$1,920	\$1,995	\$2,061	\$17,424	
Public Relations	\$708	\$741	\$776	\$812	\$850	\$890	\$932	\$975	\$1,021	\$1,069	\$8,773	
Benefits	0	1,442	1,610	1,795	1,999	2,215	2,446	2,691	2,951	3,228	\$20,376	
Insurance	1,336	1,472	1,509	1,547	1,585	1,625	1,666	1,707	1,750	1,794	\$16,091	
Information Services (O&M)	1,319	1,931	2,574	2,638	2,704	2,771	2,841	2,912	2,985	3,059	\$25,733	
Information Services (Capital)	125	232	2,819	7,417	8,098	8,239	8,259	8,280	8,864	1,423	\$50,777	
Professional Services	1,820	1,906	1,995	2,089	2,187	2,289	2,397	2,509	2,627	2,750	\$22,568	
Facilities	0	4,266	4,367	4,471	4,578	4,687	4,799	4,913	5,031	5,151	\$42,263	
Shareholder Services	153	157	161	165	169	173	178	182	187	191	\$1,716	
Vehicles	92	94	96	99	101	104	106	109	112	115	\$1,028	
Association Dues	214	219	225	230	236	242	248	254	261	267	\$2,398	
Credit Facilities	174	178	183	187	192	197	202	207	212	217	\$1,949	
Total	<u>\$12,258</u>	<u>\$14,141</u>	<u>\$17,946</u>	<u>\$23,138</u>	<u>\$24,446</u>	<u>\$25,239</u>	<u>\$25,940</u>	<u>\$26,670</u>	<u>\$24,995</u>	<u>\$21,325</u>	<u>\$211,097</u>	
Purchasing Economics:												
Procurement	\$1,312	\$1,765	\$2,230	\$2,706	\$3,195	\$3,695	\$4,208	\$4,734	\$5,273	\$5,825	\$34,941	
Inventory	60	151	151	151	151	151	151	151	151	151	\$1,418	
Contract Services	<u>378</u>	<u>499</u>	<u>626</u>	<u>759</u>	<u>898</u>	<u>1,043</u>	<u>1,195</u>	<u>1,355</u>	<u>1,521</u>	<u>1,696</u>	<u>\$2,970</u>	
Total	<u>\$1,751</u>	<u>\$2,416</u>	<u>\$3,007</u>	<u>\$3,616</u>	<u>\$4,243</u>	<u>\$4,889</u>	<u>\$5,554</u>	<u>\$6,239</u>	<u>\$6,945</u>	<u>\$7,672</u>	<u>\$46,131</u>	
Energy Savings:												
Energy Sourcing	\$733	\$930	\$931	\$851	\$767	\$675	\$510	\$528	\$549	\$570	\$7,064	
Total	<u>\$733</u>	<u>\$950</u>	<u>\$931</u>	<u>\$851</u>	<u>\$767</u>	<u>\$675</u>	<u>\$510</u>	<u>\$528</u>	<u>\$549</u>	<u>\$570</u>	<u>\$7,064</u>	
Savings Subtotal	<u>\$14,723</u>	<u>\$48,142</u>	<u>\$55,938</u>	<u>\$64,075</u>	<u>\$68,454</u>	<u>\$72,449</u>	<u>\$76,420</u>	<u>\$80,755</u>	<u>\$82,844</u>	<u>\$83,102</u>	<u>\$666,901</u>	
Total Savings	<u>\$24,723</u>	<u>\$48,142</u>	<u>\$55,938</u>	<u>\$64,075</u>	<u>\$68,454</u>	<u>\$72,449</u>	<u>\$76,420</u>	<u>\$80,755</u>	<u>\$82,844</u>	<u>\$83,102</u>	<u>\$666,901</u>	
Cost to Achieve:												
Costs to Achieve	68,920	10,822	8,541	3,978	3,984	4,010	3,204	2,800	2,386	2,404	\$111,058	
Pre-Merger Initiatives	478	1,476	1,647	1,883	2,207	2,546	2,814	3,163	3,583	4,028	23,826	
Net Savings	<u>(\$34,675)</u>	<u>\$35,844</u>	<u>\$45,749</u>	<u>\$58,214</u>	<u>\$62,253</u>	<u>\$65,893</u>	<u>\$70,402</u>	<u>\$74,792</u>	<u>\$76,875</u>	<u>\$76,670</u>	<u>\$532,018</u>	

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EXHIBIT

Costs to Achieve
(Dollars in thousands)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Separation Costs												
Separation Programs	\$16,806	\$2,460	\$1,091	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$20,357
Executive Separation (1)	\$5,761	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,761
Separation Assistance (2)	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Total Separation Costs - Merger	\$23,567	\$2,460	\$1,091	\$0	\$0	\$27,118						
Retention Costs	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,000
Relocation Costs	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000
Facilities Reconfiguration	\$1,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,500
System Integration Costs (4)	\$8,565	\$6,312	\$7,400	\$3,928	\$3,944	\$3,960	\$3,154	\$2,750	\$2,336	\$2,354	\$0	\$44,702
Telecommunication Costs (5)	\$250	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$50	\$0	\$700
Transaction Costs	\$17,079	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,079
Other												
Directors and Officers' Liability Tail Coverage (3)	\$1,883	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,883
Regulatory Process Costs	\$5,076	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,076
Internal/External Communications (3)	\$2,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000
Transition Costs (2)	\$5,000	\$2,000	\$0	\$0	\$7,000							
Total Other Costs	\$13,959	\$2,000	\$0	\$0	\$15,959							
TOTAL COSTS TO ACHIEVE												
	\$68,920	\$10,822	\$8,541	\$3,978	\$3,994	\$4,010	\$3,204	\$2,800	\$2,386	\$2,404	\$0	\$111,058

(1) Assumes five executive separations with three years compensation for separation
 (2) Based on previous transactions
 (3) Estimated

(4) Includes O&M and revenue requirements costs
 (5) Telecommunication costs include \$100,000 to tie the switches together and \$150,000 for public data networks for the first year, and \$50,000 each following year.

10 Year Total Potential Savings Detail (O&M/Pk'd Charge)

Potential Areas (\$ In 000s)	Reductions	2009	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total	
Labor													
Corporate Field Total	296 66 362	\$21,107 4,875 24,982	\$25,136 5,500 30,635	\$27,900 6,153 34,054	\$29,631 7,555 36,469	\$31,443 8,305 38,998	\$33,341 9,090 41,645	\$35,127 9,913 44,417	\$37,406 10,773 47,318	\$39,582 11,674 50,356	\$41,861 55,236	\$321,734 C 80,676 C 402,410 A	48.2% 12.1% 60.3%
Corporate & Administrative Programs:													
Administrative & General Overhead													
Public Relations	\$1,216	\$1,481	\$1,631	\$1,688	\$1,746	\$1,806	\$1,868	\$1,930	\$1,995	\$2,061	\$17,424 D	2.6%	
Benefits	\$708	\$741	\$776	\$812	\$850	\$890	\$932	\$975	\$1,021	\$1,069	\$8,771 E	1.3%	
Insurance	0	1,442	1,610	1,795	2,215	2,416	2,691	2,951	3,228	3,428	\$20,376 F	3.1%	
Information Services (O&M)	1,436	1,472	1,509	1,547	1,585	1,625	1,666	1,707	1,750	1,794	\$16,091 G	2.4%	
Information Services (Capital)	1,319	1,931	2,574	2,638	2,704	2,771	2,841	2,912	2,985	3,059	\$25,734 H	3.9%	
Professional Services	125	232	2,819	7,417	8,098	8,239	8,259	8,280	8,364	1,423	\$50,777 I	7.6%	
Facilities	1,820	1,906	1,995	2,089	2,187	2,289	2,509	2,627	2,750	2,968 J	\$22,568 K	3.4%	
Shareholder Services	0	4,266	4,367	4,471	4,578	4,687	4,799	4,913	5,031	5,151	\$42,263 L	6.3%	
Vehicles	153	157	161	165	169	173	178	182	187	191	\$1,716 K	0.3%	
Association Dues	92	94	96	99	101	104	106	109	112	115	\$1,028 N	0.2%	
Credit Facilities	214	219	225	230	236	242	248	254	261	267	\$2,398 P	0.4%	
Total	\$7,258	\$14,141	\$17,946	\$21,138	\$24,446	\$25,239	\$25,940	\$26,670	\$27,325	\$28,949 R	\$11,097 A	31.7%	

Purchasing Economics:

Procurement	\$1,312	\$1,765	\$2,230	\$2,706	\$3,195	\$3,695	\$4,208	\$4,734	\$5,273	\$5,825	\$34,943 Q	5.2%	
Inventory	60	151	151	151	151	151	151	151	151	151	\$1,418 P	0.2%	
Contract Services	378	499	626	759	898	1,043	1,195	1,355	1,521	1,696	\$2,920 S	1.5%	
Total	\$1,751	\$2,416	\$3,007	\$3,616	\$4,243	\$4,889	\$5,554	\$6,219	\$6,945	\$7,672	\$46,331 A	6.9%	
Energy Savings:													
Energy Sourcing													
Total	\$733	\$950	\$931	\$931	\$6851	\$767	\$675	\$510	\$528	\$549	\$570	\$7,064 T	1.1%
Savings Subtotal	\$34,723	\$48,142	\$55,938	\$60,075	\$68,454	\$72,449	\$76,420	\$80,755	\$82,844	\$83,102	\$70,064 A	11.1%	
Total Savings	\$31,723	\$48,142	\$55,938	\$60,075	\$68,454	\$72,449	\$76,420	\$80,755	\$82,844	\$83,102	\$666,901	100.0%	
Cost to Achieve	68,920	10,822	\$541	3,978	3,994	4,010	3,704	2,800	2,386	2,404	\$111,058 A	16.7%	
Pre-Merger Initiatives	478	1,476	1,647	1,883	2,707	2,546	2,814	3,163	3,383	4,028	21,526 A	3.6%	
Net Savings	(53,675)	\$15,844	\$45,749	\$55,214	\$62,253	\$65,823	\$70,402	\$74,792	\$76,815	\$76,670	\$112,018 A	79.8%	

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Total Savings Summary

	Areas (\$ in 000s)										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Labor	\$24,982	\$30,635	\$34,054	\$36,469	\$38,998	\$41,615	\$44,417	\$47,318	\$50,356	\$53,536	\$412,410 A
Corporate & Administrative Programs:											
Purchasing Economics	7,258	14,141	17,946	23,138	24,446	25,239	25,940	26,670	24,995	21,325	\$211,097 A
Energy Sourcing	1,751	2,416	3,007	3,616	4,243	4,889	5,551	6,239	6,945	7,672	\$46,331 A
Total Savings	\$733	\$958	\$931	\$851	\$767	\$675	\$510	\$528	\$549	\$570	\$7,064 A
Costs to Achieve	\$34,723	\$48,142	\$55,938	\$64,075	\$68,454	\$72,449	\$76,420	\$80,755	\$82,844	\$83,102	\$665,921 A
Pre-Merger Initiatives	<u>68,920</u>	<u>10,822</u>	<u>X,541</u>	<u>1,078</u>	<u>1,094</u>	<u>1,010</u>	<u>1,214</u>	<u>1,810</u>	<u>2,346</u>	<u>2,404</u>	<u>111,028 A</u>
Net Savings	<u>(\$34,675)</u>	<u>\$35,841</u>	<u>\$45,749</u>	<u>\$54,214</u>	<u>\$62,553</u>	<u>\$65,893</u>	<u>\$70,402</u>	<u>\$74,792</u>	<u>\$76,875</u>	<u>\$76,670</u>	<u>\$32,018 A</u>

10 Year Total O&M Savings

Labor	Areas (\$ in 000s)	Corporate Field Total	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Corporate & Administrative Programs:												
Administrative & General Overhead	\$1,453	\$1,586	\$1,626	\$1,666	\$1,708	\$1,751	\$1,794	\$1,839	\$1,885	\$1,932	\$1,979	\$16,512
Public Relations	\$708	\$741	\$776	\$812	\$850	\$892	\$935	\$975	\$1,021	\$1,069	\$1,116	\$8,773
Benefits	0	1,351	1,423	1,497	1,602	1,704	1,812	1,927	2,050	2,180	2,313	15,155
Insurance	1,316	1,472	1,509	1,547	1,585	1,625	1,666	1,707	1,750	1,794	1,837	16,091
Information Services (O&M)	1,319	1,374	2,574	2,638	2,704	2,771	2,841	2,912	2,985	3,059	3,133	30,713
Information Services (Capital)	0	0	0	0	0	0	0	0	0	0	0	0
Professional Services	1,820	1,995	2,089	2,187	2,289	2,397	2,509	2,627	2,750	22,568	22,568	22,568
Finances	-4,054	-4,156	-4,260	-4,367	-4,376	-4,376	-4,376	-4,376	-4,376	-4,376	-4,376	-4,376
Shareholder Services	153	157	161	165	169	173	178	182	187	191	196	1,716
Vehicles	92	94	96	99	101	104	106	109	112	115	118	1,028
Attestation Fees	214	219	225	230	236	242	248	254	261	267	273	2,398
Taxes of Credit	123	128	132	137	142	147	152	157	162	167	172	1,292
Total	\$7,120	\$14,683	\$15,159	\$15,660	\$16,180	\$16,719	\$17,250	\$17,862	\$18,467	\$19,169	\$19,870	\$162,690
Purchasing Economics:												
Procurement	\$891	\$914	\$937	\$960	\$984	\$1,009	\$1,034	\$1,060	\$1,086	\$1,113	\$1,140	\$9,987
Inventory	0	0	0	0	0	0	0	0	0	0	0	0
Contract Services	225	238	261	276	290	306	322	338	354	370	386	3,841
Total	\$1,166	\$1,202	\$1,238	\$1,276	\$1,314	\$1,354	\$1,396	\$1,439	\$1,483	\$1,529	\$1,577	\$13,397
Energy Savings:												
Energy Sourcing	\$733	\$950	\$921	\$851	\$767	\$675	\$510	\$528	\$549	\$570	\$601	\$7,064
Total	\$733	\$950	\$931	\$851	\$767	\$675	\$510	\$528	\$549	\$570	\$601	\$7,064
Total Savings:												
Cost to Achieve	\$3,256	\$44,777	\$48,445	\$50,360	\$52,165	\$54,457	\$56,572	\$58,972	\$61,462	\$64,104	\$64,800	\$124,800
Pre-Merge Initiatives	-\$3,920	10,822	8,541	9,278	10,004	10,801	12,201	12,800	13,385	13,987	14,688	111,055
Net Savings	\$478	\$1,476	\$1,647	\$1,681	\$2,207	\$2,546	\$2,814	\$3,163	\$3,581	\$4,028	\$4,573	\$23,636
	(\$36,122)	\$12,479	\$18,257	\$14,499	\$16,164	\$17,901	\$19,553	\$21,009	\$21,513	\$22,673	\$23,916	\$189,916

10 Year Revenue Requirements Savings

Areas (\$ in 000s)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Labor	\$340	\$758	\$1,217	\$1,697	\$2,199	\$3,725	\$3,276	\$3,852	\$4,456	\$5,088	\$25,618 C1
Corporate	296	396	811	1,245	1,695	2,175	2,673	3,194	3,740	4,311	4,919 C2
Field	66	96	111	126	135	140	145	151	156	161	162 C3
Total	362	526	1,246	1,696	2,174	3,194	3,720	4,311	4,767	5,222	\$20,761 C4
Corporate & Administrative Programs:											
Administrative & General (Overhead)	\$13	\$2K	\$51	\$62	\$80	\$98	\$117	\$136	\$156	\$176	\$912 D2
Public Relations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 D3
Benefits	0	91	187	289	397	511	633	763	902	1,048	1,482 F2
Insurance	0	0	0	0	0	0	0	0	0	0	0 H-C
Information Services (O&M)	125	252	2,819	7,417	8,098	8,239	8,259	8,280	8,664	1,423	50,777 H-C
Information Services (Capital)	0	0	0	0	0	0	0	0	0	0	0 J
Professional Services	0	211	211	211	211	211	211	211	211	211	1,897 J
Facilities	0	0	0	0	0	0	0	0	0	0	0 J
Shareholder Services	0	0	0	0	0	0	0	0	0	0	0 J
Vehicles	0	0	0	0	0	0	0	0	0	0	0 J
Association Dues	0	0	0	0	0	0	0	0	0	0	0 J
Lines of Credit	2	2	2	2	2	2	2	2	2	2	2 J
Total	\$137	\$582	\$1,262	\$7,979	\$8,786	\$9,060	\$9,221	\$9,390	\$7,132	\$2,858	\$518,407
Purchasing Economies:											
Procurement	\$421	\$852	\$1,294	\$1,746	\$2,211	\$2,686	\$3,174	\$3,674	\$4,187	\$4,712	\$24,936 Q2
Inventory	60	151	151	151	151	151	151	151	151	151	1,418 R2
Contract Services	103	211	225	343	562	692	833	1,124	1,280	1,380	6,560 S2
Total	\$384	\$1,214	\$1,769	\$2,340	\$3,929	\$3,534	\$4,158	\$4,800	\$5,462	\$6,143	\$32,934 T2
Total Savings											
Cost to Achieve	0	0	0	0	0	0	0	0	0	0	0 A4
Pre-Merger Initiatives	0	0	0	0	0	0	0	0	0	0	0 A4
Net Savings	\$1,457	\$3,365	\$7,493	\$13,715	\$16,089	\$17,992	\$19,849	\$21,783	\$21,361	\$18,998	\$142,102

10 Year Capital Summary

Area (\$ in 000s)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Labor											
Corporate	\$1,680	\$2,071	\$2,267	\$2,174	\$2,485	\$2,601	\$2,721	\$2,451	\$2,985	\$3,125	\$21,162 C)
Field	66	1,939	2,050	2,117	2,247	2,353	2,463	2,578	2,699	2,826	\$34,280 C,
Total	362	\$3,638	\$4,122	\$4,414	\$4,621	\$4,837	\$5,064	\$5,302	\$5,550	\$5,810	\$60,442
Corporate & Administrative Programs:											
Administrative & General Overhead											
Public Relations	\$61	\$76	\$83	\$86	\$88	\$90	\$92	\$94	\$97	\$99	\$869 D)
Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Insurance	0	450	474	502	534	568	604	642	683	727	\$,185 F,
Information Services (C&M)	0	0	0	0	0	0	0	0	0	0	0
Information Services (Capita)	4,438	14,800	11,031	2,821	572	586	601	616	631	647	36,764 H,
Professional Services	0	0	0	0	0	0	0	0	0	0	0
Facilities	0	1,042	0	0	0	0	0	0	0	0	1,042 J,
Shareholder Services	0	0	0	0	0	0	0	0	0	0	0
Vehicles	0	0	0	0	0	0	0	0	0	0	0
Association Dues	0	0	0	0	0	0	0	0	0	0	0
Lines of Credit	0	0	0	0	0	0	0	0	0	0	0
Total	\$4,521	\$16,369	\$11,588	\$3,409	\$1,194	\$1,244	\$1,297	\$1,353	\$1,411	\$1,473	\$43,860
Purchasing Economics:											
Procurement	\$2,080	\$2,132	\$2,185	\$2,240	\$2,296	\$2,353	\$2,412	\$2,472	\$2,534	\$2,598	\$23,302 O,
Inventory	575	\$62	0	0	0	0	0	0	0	0	1,416 R,
Contract Services	111	\$11	\$60	\$86	\$114	\$142	\$162	\$184	\$212	\$222	\$1,333 S,
Total	\$3,165	\$3,529	\$2,745	\$2,826	\$2,919	\$2,996	\$3,085	\$3,176	\$3,271	\$3,369	\$31,072
Total Savings											
Cost to Achieve	0	0	0	0	0	0	0	0	0	0	0
Pre-Merger Initiatives	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Savings	\$11,325	\$24,020	\$18,747	\$10,855	\$8,941	\$9,104	\$9,683	\$10,080	\$10,493	\$10,925	\$124,374

C E C, C7

Financial Assumptions (continued)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Escalation Rates (All years)												
	Labor (Blended Salary and Benefits)											
	Corporate Employees	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
	Field Employees	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
General	Administrative and General Overhead	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Advertising	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
	Insurance	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Facilities	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Shareholder Services	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Association Dues	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Regulatory Expenses	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Benefits	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%	6.35%
	MIS (Operating Costs)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	MIS (Development Projects)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Contract Services	Professional Services	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%	4.69%
	Research & Development	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Lines of Credit	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Procurement	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Inventory	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Cost to Achieve	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Pre-Merger Initiatives	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
	Vehicles	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

B1
C8
G8

Financial Assumptions

Salary	Corporate	Generation	Clipper	Clinton	Weight
	Field	Field	Field	Field	
Capitalization Rates					
Labor	Corporate Employees	7.8%	7.8%	7.8%	
	Generation Employees				
	Field Employees	30.4%	30.4%	30.4%	
General	Administrative and General Overhead				
	Advertising	0%	2.50%	2.50%	
	Insurance	0%	2.50%	2.50%	
	Pficiences	0%	2.50%	2.50%	
	Shareholder Services	0%	2.50%	2.50%	
	Director's Fees	0%	2.50%	2.50%	
	Association Dues	0%	2.50%	2.50%	
	Regulatory Expenses	0%	2.50%	2.50%	
Benefits	Benefits				
	Coal Supply	0%	6.15%	6.15%	
	Gas Supply	0%	2.50%	2.50%	
	MIS (Operating Costs)	0%	2.50%	2.50%	
	MIS (Development Projects)	100%	2.50%	2.50%	
	Professional Services	0.00%	4.69%	4.69%	
	Research & Development	0.00%	2.50%	2.50%	
	Telecommunications	0.00%	2.50%	2.50%	
	Lines of Credit	0%	2.50%	2.50%	
	Procurement	70.00%	77.00%	65.00%	
	Inventory	100.00%	100.00%	100.00%	
	Contract Services	65.00%	65.00%	65.00%	
	Financing	0%	2.50%	2.50%	
	Cost to Achieve	0.00%	2.50%	2.50%	
	Pre-Merger Initiatives	0.00%	2.50%	2.50%	
	Vehicles	0%	2.50%	2.50%	
Revenue Requirement Rates					
General	Clipper	20.22%	20.22%	20.22%	
	Clinton				
	Average				
Labor	Corporate Employees	20.22%	20.22%	20.22%	
	Generation Employees				
	Field Employees	20.22%	20.22%	20.22%	
Benefits	Benefits				
	Contract Services	20.22%	20.22%	20.22%	
	Procurement	20.22%	20.22%	20.22%	
	Inventory	20.22%	20.22%	20.22%	
	Pre-Merger Initiatives	20.22%	20.22%	20.22%	
2000	2001	2002	2003	2004	2005
MIS (Development Projects)*	Clipper	24.04%	24.04%	24.04%	24.04%
	Clinton	24.04%	24.04%	24.04%	24.04%
	Average	24.04%	24.04%	24.04%	24.04%
All Others					
Partial Year Savings					
Carrying Cost	Clipper	10.50%	10.50%	10.50%	7

*Clipper only - Clinton verified suitable for combined Harbor

PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Administrative & General Overhead

Clipper Position:

Clipper's total administrative and general overhead costs (internal data) for 1997 were over \$15.3 million. Average variable cost per employee is \$4,935

Crimson Position:

Crimson's total administrative and general overhead costs (internal data) for 1997 were about \$7.6 million. Average variable cost per employee is \$5,050

Rationale for Savings:

Administrative and general overhead costs include office supplies, telephone expenses, employee business expenses, and other miscellaneous costs. Examples of variable administrative and general overhead costs include office supplies, telephone expenses, and business expenses. Administrative and general overhead will decrease as corporate personnel are reduced.

Basis for Calculation:

Variable costs were estimated based on discussions with both sides. Detailed expenses charged to account 921 were provided and fixed costs were eliminated, the remaining costs were variable. The weighted average cost per employee was applied to the number of personnel reductions to estimate savings.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 869
<input type="checkbox"/> O&M - Expense	\$16,512
<input type="checkbox"/> O&M - Revenue Requirements	<u>\$ 912</u>
<input type="checkbox"/> O&M - Total	\$17,424

Key Assumptions:

- All costs are appropriately captured.
- Variability of cost is accrued based on conversation with company executives, and data provided.

Administrative & General Overhead

2000 Savings (\$000)	\$1,267 D3
2001 Savings (\$000)	\$231 D2
2002 Savings (\$000)	\$102 D3
Percentage of Savings Capitalized	
Revenue Requirements Rate	5.0%
Inflation Rate	20.2%
Partial Year Savings	2.5%
	2.5%
	2.5%
	2.5%
	2.5%
100%	

Annual Savings

Annual Savings Amount	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
\$1,267	\$1,530	\$1,669	\$1,711	\$1,754	\$1,798	\$1,843	\$1,889	\$1,936	\$1,984	\$17,321	
O&M Savings	\$1,204	\$1,453	\$1,536	\$1,626	\$1,666	\$1,708	\$1,751	\$1,794	\$1,839	\$1,885	\$16,512 A3
Capital Savings	\$63	\$76	\$83	\$86	\$88	\$90	\$92	\$94	\$97	\$99	\$869 A5
	\$63	\$63	\$76	\$83	\$86	\$88	\$90	\$92	\$94	\$97	
Cumulative Capital Savings	\$63	\$140	\$223	\$309	\$397	\$486	\$579	\$673	\$770	\$869	
Revenue Requirements Savings	\$13	\$28	\$45	\$62	\$80	\$98	\$117	\$136	\$156	\$176	\$912 A4
Total O&M and Revenue Requirements Savings	A) \$1,216	\$1,481	\$1,631	\$1,688	\$1,746	\$1,806	\$1,868	\$1,930	\$1,995	\$2,061	\$17,424 A2

0010

D2

D3

1

A&G Overhead Summary

Total A&G Overhead	1997	1998 15,334,332 D4	Employees
Clipper	\$ 4,826,284	D4	A&G per Employee \$ 978
Crimson	\$ 3,782,772	D5	\$ 749

Total A&G Variable Overhead	1997	Employees	A&G per Employee	Weighted Average Cost Per Employee
Clipper	\$ 4,826,284	D4	\$ 978	\$ 4,935
Crimson	\$ 3,782,772	D5	\$ 749	\$ 5,050
Total Variable A&G	\$ 8,609,056		\$ 1,727	\$ 4,985
		Total A&G per employee	\$	\$ 4,985
		2000 Employee reductions	\$	\$ 4,985
		1997 Savings	\$	\$ 236
		2000 Savings	\$	\$ 1,176,455
				years to escalate
			\$ 1,266,913	3
		2000 Non-gen savings	\$ 1,266,913	

Total A&G per employee	\$	\$ 4,985
2001 Employee reductions	\$	\$ 42
1997 Savings	\$	\$ 209,369
2001 Savings	\$	\$ 231,104

Source: Internal data

Assumptions: Variable costs are equal to 50% of total A&G costs

Total A&G per employee	\$	\$ 4,985
2002 Employee reductions	\$	\$ 18
1997 Savings	\$	\$ 89,170
2002 Savings	\$	\$ 101,521

1997 A&G Expenses

	Variable Factor 50%	Total	
	variable	Fixed	Total
Telephone	\$ 1,701,672	\$ 1,701,672	\$ 3,403,343 D6
Utilities	\$ -	\$ 5,681,764	\$ 5,681,764 D7
Facilities	\$ -	\$ -	0
Employee Expenses	\$ 845,503	\$ 845,503	\$ 1,691,006 D9
Postage	\$ 1,347,454	\$ 1,347,454	\$ 2,694,908 D10
Office Supplies	\$ 931,656	\$ 931,656	\$ 1,863,311 D11
Total	\$ 4,826,284	\$ 10,508,048	\$ 15,334,332
A&G Gross-Up for Capitalization	\$ 4,826,284	\$ 10,508,048	\$ 15,334,332

Source: Internal data

Employee Numbers	
Total	A&G
2,274	978

6162

1997 A&G Expenses			
A&G		\$	
Crimson Electric Light	D12	1,941,385	Note 1
Crimson Gas	D13	6,475,003	Total 1,828
Crimson Electric	D14	8,839,514	A&G 748
Total		17,256,202	

Difference between A&G and adjusted A&G

Adjusted A&G		\$	
Crimson Electric Light	1,677,286		D15
Crimson Gas	5,038,001		264,039
Crimson Electric	7,535,671		D16 1,437,002
Total	14,250,988		D15 1,304,143

Non Labor A&G			
Crimson Electric Light	536,735		
Crimson Gas	1,612,160		
Crimson Electric	2,411,415		

Total Non Labor A&G

Total Non Labor A&G	800,824		
Crimson Electric Light	3,048,162		Total Variable A&G
Crimson Gas	3,715,558		(Includes Gas Allocation)
Crimson Electric			

Total

Total	7,565,544		
	\$ 7,565,544		

Gross-up For Capitalization

Source: Internal data

Assumptions: FERC account 921 was reduced by total Crimson/Energy Service Company's transfers into that account.

Based on total labor versus non labor expenses billed out, 32% constitutes non labor costs.

Apply 32% to the Crimson/Energy Service Company transfers and add to the difference.

Include Gas for A&G calculation

Note 1 - \$57,920 in costs not included:

PC Software	293	D12	Consult & Contract	19492	D13
Vax Software Maintenance	31,398		Computer Supplies	55216	
Computer Supplies	1,170		Software Serv. Agree	117999	
Employee-owned auto exp	7,435		Medical Expense	10625	
Outside Computer service	4,718		Emp Auto	5133	
Snow Removal	12,906		Utilities	397840	
	\$ 57,920		Software exp - PC/LAN	2209	
			Software Expense	5066	
			Serv/Grds	338437	
			Show	78929	
			Security	32122	
			Cafeteria	27202	
					\$ 1,090,270

Note 2 - \$1,090,270 in costs not included:

Consult & Contract	19492	D13	Engineering	8,179	D14
Computer Supplies	55216		Vax Software	1,893	
Software Serv. Agree	117999		PC Software	21,551	
Medical Expense	10625		Vax Software	115,411	
Emp Auto	5133		PC Software M	2,574	
Utilities	397840		Computer Sup	18,494	
Software exp - PC/LAN	2209		Employee own	24,523	
Software Expense	5066		Outside Comp	40,273	
Serv/Grds	338437		Show	35,845	
Show	78929		Security	41,114	
Security	32122		Cafeteria	15,852	
Cafeteria	27202			\$ 325,709	

D5

Clipper

1997 Telephone (Summary)

01-Jun-98

ACCOUNT P12

<u>50613</u>	131107.5
<u>52413</u>	746621.36
<u>54913</u>	26009.45
<u>56013</u>	18543.4
<u>56213</u>	7269.7
<u>56313</u>	10132.87
<u>58013</u>	105794.37
<u>58113</u>	229355.66
<u>58213</u>	75334.4
<u>58313</u>	205341.42
<u>58413</u>	313640.04
<u>58613</u>	16620.52
<u>58813</u>	272984.25
<u>90213</u>	46730.91
<u>90385</u>	1030.88
<u>90513</u>	168767.81
<u>91013</u>	48801.35
<u>91613</u>	532369.9
<u>92113</u>	463090.19
<u>92166</u>	-164763.48
<u>96313</u>	64804.14
<u>96413</u>	83757.13

Grand Total:

3403343.77

00164

06

Clipper

1997 Utilities (Summary)

01-Jun-98

PROPRIETARY &
CONFIDENTIAL

ACCOUNT P12

<u>93104</u>	3796482.55
<u>93120</u>	1834335.24
<u>93121</u>	50946.39

Grand Total:

5681764.18

00165

07

Clipper

1997 Facilities (Summary)

01-Jun-98

PROPRIETARY &
CONFIDENTIAL

ACCOUNT	P12
<u>50556</u>	109111.26
<u>50615</u>	201855.35
<u>56015</u>	779.72
<u>56215</u>	2005
<u>56315</u>	73.18
<u>58015</u>	76912.51
<u>58115</u>	43972.19
<u>58215</u>	23697.89
<u>58315</u>	17785.45
<u>58415</u>	62083.71
<u>58815</u>	105036.54
<u>58865</u>	135274.34
<u>58866</u>	10839.16
<u>58867</u>	16974.21
<u>59873</u>	537477.3
<u>59874</u>	136161.44
<u>92058</u>	60997.39
<u>92115</u>	5238.8
<u>93104</u>	281219.36
<u>96315</u>	77262.42
<u>96415</u>	10423.19

Grand Total:

1915180.41

Not used in A+G analysis

00166

08

Clipper

1997 Employee Expenses (Summary)

01-Jun-98

PROPRIETARY &
CONFIDENTIAL

ACCOUNT	P12
<u>50613</u>	211170.92
<u>52413</u>	83568.97
<u>54913</u>	13923.94
<u>56013</u>	7404.3
<u>56113</u>	2064.5
<u>56213</u>	861.01
<u>56313</u>	5188.81
<u>58013</u>	37717.42
<u>58113</u>	17528.48
<u>58213</u>	48674.28
<u>58313</u>	118036.43
<u>58413</u>	181229.84
<u>58613</u>	1474.94
<u>58813</u>	141462.08
<u>90213</u>	210945.91
<u>90333</u>	9058.12
<u>90334</u>	192.84
<u>90513</u>	32258.09
<u>91013</u>	33968.83
<u>91613</u>	181826.86
<u>92113</u>	177744.32
<u>96313</u>	71306.91
<u>96413</u>	79802.52
<u>96415</u>	23596.01

Grand Total:

1691006.33

00167

09

Clipper
1997 Postage (Summary)

PROPRIETARY &
CONFIDENTIAL

01-Jun-98

ACCOUNT P12

<u>50613</u>	-24500.15
<u>56213</u>	15.75
<u>58813</u>	902.7
<u>90213</u>	54642.54
<u>90513</u>	2237892.98
<u>91013</u>	22501.06
<u>91641</u>	2116.92
<u>92001</u>	370408.77
<u>92113</u>	29813.08
<u>96413</u>	1114.54

Grand Total:

2694908.19

00168

NIC

Clipper

1997 Office Supplies (Summary)

**PROPRIETARY &
CONFIDENTIAL**

01-Jun-98

ACCOUNT	P12
<u>50613</u>	232730.53
<u>52413</u>	224402.31
<u>54913</u>	383.03
<u>56013</u>	20705.8
<u>58013</u>	38625.25
<u>58113</u>	24981.7
<u>58213</u>	116319.92
<u>58413</u>	191731.08
<u>58813</u>	75910.76
<u>90213</u>	64005.81
<u>90333</u>	7510.16
<u>90334</u>	2037.88
<u>90384</u>	0
<u>90386</u>	0
<u>90513</u>	33427.05
<u>91013</u>	33862.92
<u>91613</u>	59684.07
<u>92113</u>	439126.71
<u>96313</u>	162492.96
<u>96413</u>	135373.91

Grand Total:

1863311.85

06169

011

Add'l backup
detail 5.29

ANALYSIS OF ACCOUNT 221
OFFICE SUPPLIES & EXPENSE
1995 - 1998

**PROPRIETARY &
CONFIDENTIAL****CAMBRIDGE ELECTRIC****Area/Function Description**

		<u>1998 Estimate</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
63-1120	Bank Balance & Def. fees	\$17,000	\$8,872	\$23,335	\$25,602
23-1142	Vax Software	0	439	415	545
23-1143	PC Software	X 2,000	293	0	3,265
23-1152	Vax Software Maintenance	X 34,000	31,398	9,445	22,003
23-1163	PC Software Maintenance	X 3,000	0	0	2,928
23-1163	Computer Supplies	X 3,000	1,170	3,822	5,927
20-1215	Small Tools and Equipment	6,000	9,060	8,066	8,002
20-1571	System Planning	0	53	101	79
various-1754	Employee dues	1,000	1,852	3,998	4,228
various-1755	Employee subscription	1,000	2,210	2,414	1,939
various-1811	Employee owned auto exp	X 8,000	7,435	8,143	1,770
various-1815	Office supplies and expense	7,000	3,071	5,274	7,252
20-1819	Serv. Bldg/Ground - General	52,000	48,821	50,812	49,944
various-1820	Outside computer service	X 9,000	4,718	26,938	11,820
various-1824	Employee meal expense	0	206	29	266
62-1841	Wareham Central Ops	234,000	301,880	316,122	355,331
20-1848	Snow removal and sand	X 9,000	12,906	32,524	18,830
Various	Com Energy	2,229,000	1,735,216	2,281,002	2,163,611
721	Dup charge cr office sup & exp	<u>(229,000)</u>	<u>(188,295)</u>	<u>(216,411)</u>	<u>(185,750)</u>

Total	<u>\$2,386,000</u>	<u>\$1,999,305</u>	<u>\$2,556,028</u>	<u>\$2,497,592</u>
	- 57 920			
	<u>1,941,385</u>			

* items X items (or var < 50%)

ANALYSIS OF ACCOUNT 823
OFFICE SUPPLIES & EXPENSE
1995 - 1998PROPRIETARY &
CONFIDENTIAL

COMMONWEALTH GAS Area/Function	Description	1988 Estimate	1987	1996	1995
		\$0	\$0	\$0	\$0
various-2088	Client sup Tm Material				
various-2089	Client Sup O/S Serv	0	0	0	31,221
various-2090	Consult & Contr Service	X 37,000	19,482	41,148	153,636
04-2091	Computer Supplies	X 37,000	59,218	57,825	54,570
various-2093	Software Serv. Agreement	X 118,000	117,989	102,380	121,831
83-2120	Bank Bal & Defic Fee	118,000	101,113	61,604	91,722
04-2193	Stwr Serv Agr - PC/LAN	X 9,000	0	8,144	27,150
83-2200	Misc. Relocation Exp	8,000	1,810	8,718	0
18-2588	Environmental Expense	38,000	38,150	23,719	18,093
30-2678	Medical Expenses	X 20,000	10,625	20,648	31,242
various-2755	Subscription & employee dues	11,000	15,096	20,421	20,106
various-2803	Business meals expense	2,000	9,222	10,949	10,739
18-2808	Uniform & Apparel expense	5,000	4,925	524	46
various-2809	Employee expense	25,000	41,625	55,901	67,740
various-2810	Other labor & expense	7,000	100,751	48,218	20,196
various-2811	Emp auto exp. - per diem	0	672	1,547	1,554
various-2812	Emp auto exp. - mileage	X 6,000	5,133	3,355	6,877
63-2813	Photocopying expense	29,000	19,458	26,553	39,885
various-2815	Office supply & Exp	14,000	18,233	18,522	24,777
18-2827	Heat/light - NB Bldg	X 45,000	39,837	41,420	46,446
18-2828	Heat/light - Plymouth	X 9,000	8,299	15,050	9,453
829	Heat/light - Southboro	X 223,000	244,124	187,816	179,759
18-2830	Heat/light - Sales off	X 2,000	3,884	4,541	4,854
18-2831	Heat/light - Camb	X 59,000	49,871	44,451	53,619
18-2832	Heat/light - Dedham	X 16,000	17,896	10,634	12,491
18-2833	Heat/light - Worc	X 35,000	34,349	40,888	37,143
04-2835	Software exp - PC/LAN	X 9,000	2,209	8,579	13,049
various-2836	Software Expense	X 6,000	5,066	4,594	8,604
18-2840	Serv Bld/Grds - Southboro	X 101,000	124,361	100,591	125,944
18-2841	Serv Bld/Grds - Worcester	X 20,000	73,556	46,021	88,177
18-2842	Serv Bld/Grds - Camb & Ded	X 94,000	111,688	55,184	83,093
18-2843	Serv Bld/Grds - New Bedford	X 20,000	23,197	8,798	13,862
18-2844	Serv Bld/Grds - Plymouth	X 6,000	5,338	4,664	6,864
18-2845	Snow Removal - Southboro	X 21,000	29,363	40,415	23,762
18-2846	Snow Removal - Worcester	X 10,000	10,324	18,588	14,034
18-2847	Snow Removal - Camb & Ded	X 23,000	30,661	48,876	40,353
18-2848	Snow Removal - New Bedford	X 6,000	2,351	7,425	5,100
18-2849	Snow Removal - Plymouth	X 6,000	8,210	11,875	3,861
18-2850	Billing Cr Oper - CEL	(15,000)	(16,158)	(13,267)	(13,317)
09-various	Com Energy	7,088,000	6,128,271	6,620,174	6,445,202
18-2978	Small Tools & Equipment	8,000	10,243	3,239	6,442
18-2978	Security - Gas Operation	X 28,000	32,122	5,937,449	33,857
18-2979	Cafeteria Supplies & Expense	X 23,000	27,202	185,931	25,766
83-5118	Accrued Payroll	---	(7,000)	1,869	(1,014)
Total		\$8,341,000	\$7,585,273	\$13,918,483	\$7,988,207

-109327C

6,475,013

ANALYSIS OF ACCOUNT 921
OFFICE SUPPLIES & EXPENSE
1895 - 1998PROPRIETARY &
CONFIDENTIAL

<u>COMMONWEALTH ELECTRIC</u> <u>Area/Function</u>	<u>Description</u>	1998	1997	1996	1995
		Estimate			
21-1070	Engineering	* \$4,000	\$8,179	\$5,949	\$4,205
63-1120	Bank Balance & Del. fees	29,000	\$16,574	\$48,705	\$53,561
23-1142	Vax Software	X 2,000	1,893	1,350	1,770
23-1143	PC Software	X 6,000	21,551	28,780	71,248
23-1152	Vax Software Maintenance	X 143,000	115,411	130,551	70,519
23-1153	PC Software Maintenance	X 9,000	2,574	733	12,744
23-1163	Computer Supplies	X 21,000	18,494	76,699	103,439
63-1211	Employee moving expense	1,000	0	2,737	18,431
20-1215	Small Tools and Equipment	11,000	12,587	15,117	14,050
02-1410	Office supply and expense	8,000	9,164	1,703	400
21-1568	Buildings & Grounds	93,000	69,790	82,939	90,876
21-1567	Human Resources	4,000	2,246	632	688
20-1571	System Planning	1,000	1,956	2,057	1,732
21-1572	Executive	4,000	4,631	2,170	2,848
Various-1754	Employee dues	5,000	5,615	11,026	8,976
Various-1755	Employee subscription	5,000	7,763	11,269	11,990
18-1810	Other labor and expense	0	894	1,222	831
various-1811	Employee owned auto exp	X 20,000	24,523	24,737	9,846
various-1815	Office supplies and expense	34,000	34,577	35,497	53,050
various-1819	Serv. Bldg/Ground - General	563,000	618,417	427,596	366,480
various-1820	Outside computer service	X 23,000	40,273	59,161	72,466
various-1824	Employee meal expense	0	88	126	278
28-1829	Environmental compliance	39,000	(20,086)	59,682	74,048
various-1830	Util exp. - Adm & Gen- Whm	200,000	218,218	229,118	221,801
various-1848	Snow removal and sand	X 32,000	35,846	96,222	11,209
various-1849	Snow removal and sand	X 23,000	41,114	93,013	14,295
various-1850	Snow removal and sand	X 12,000	15,852	57,885	5,997
69-Various	Com Energy	9,711,000	7,881,380	8,992,946	8,469,996
63-1921	Dup charge cr office sup & exp	0	0	0	0
Total		\$11,001,000	\$9,165,523	\$10,485,601	\$9,767,586
			- 325709		
			8839814		

5.24 Prepared by Kevin Harnett [x 4393]

Detailed breakdown of FERC account 921, Office Supplies and Expense, by major cost component (i.e. postage, facilities, employee expenses, telephone, etc.) For 1995-1997 and planned for 1998.

The FERC account 921 for Commonwealth Electric Company and Cambridge Electric Light Company included both labor and non-labor costs for COM/Energy Services Company. In order to adjust the FERC account 921 to include labor only, first the FERC account 921 was reduced by total COM/Energy Service Company's transfers into that account. Based on total COM/Energy Service Company labor versus non labor expenses billed out to all other companies within the COM/Energy system, it was determined that an estimated 32% constitutes non labor costs. Applying this 32% to the COM/Energy Service Company transfers and adding to this difference yields an estimated adjusted FERC 921 amounts shown below.

	<u>Dec 1997</u>	<u>Dec 1996</u>	<u>Dec 1995</u>
FERC 921	9,165,523	10,495,601	9,767,586
less: COM/Energy transfers to acct	<u>7,861,380</u>	<u>8,992,946</u>	<u>8,469,996</u>
Difference	<u>1,304,143</u>	1,502,655	1,297,590
Plus an estimated 32% of COM/Energy transfers (see discussion below)	<u>2,515,641</u>	<u>2,877,743</u>	<u>2,710,399</u>
Adjusted FERC 921	3,819,784	4,380,398	4,007,989

Applying the same method to Cambridge Electric Light Company results in the following:

	<u>Dec 1997</u>	<u>Dec 1996</u>	<u>Dec 1995</u>
FERC 921	1,999,305	2,556,028	2,497,592
less: COM/Energy transfers to acct	<u>1,735,216</u>	<u>2,281,002</u>	<u>2,163,611</u>
Difference	<u>264,089</u>	275,026	333,981
Plus an estimated 32% of COM/Energy transfers (see discussion below)	<u>555,268</u>	<u>729,921</u>	<u>692,356</u>
Adjusted FERC 921	819,358	1,004,947	1,026,337

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5.24 cont'd

The following is the breakdown for Commonwealth Gas Company utilizing the same approach as for Commonwealth Electric Company and Cambridge Electric Light Company.

	<u>Dec 1997</u>	<u>Dec 1996</u>	<u>Dec 1995</u>
FERC 921	7,565,273	13,918,483	7,988,207
less: COM/Energy transfers to acct	<u>6,128,271</u>	<u>6,620,174</u>	<u>6,445,202</u>
Difference	<u>1,437,002</u>	7,298,309	1,543,005
Plus an estimated 32% of COM/Energy transfers (see discussion below)	<u>1,961,047</u>	<u>2,118,456</u>	<u>2,062,465</u>
Adjusted FERC 921	3,398,049	- 9,416,765	3,605,470

The detail behind these numbers are also attached.

06174

DB

PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Public Relations

Clipper's Position:

Clipper's total non-labor public relations expense for 1997 was estimated to be \$1,246,076 including over \$1,167 million for advertising, \$65,000 in donations, and \$14,075 in public relations.

Crimson's Position:

Crimson's total non-labor public relations expense for 1997 was estimated to be \$1,569,000 including \$225,000 in donations, \$1,24 million in advertising, \$75,000 in public relations, and \$25,000 in communications.

Rationale for Savings:

The combination of public relations programs eliminates the need for duplicative advertisement design and production and will reduce agency fees. Some overlapping coverage from various media will also occur.

Basis for Calculation:

Public relations services savings for fixed production and agency costs were estimated to be 25% of the smaller company fees. Public relations savings were estimated at 100% of the smaller company fees.

Key Assumptions:

- Savings for public relations labor expenditures have been accounted for in the Labor section of the synergies analysis.
- Level of public relations to stay at historical levels
- Crimson analysis includes only fixed costs for gas.
- Clipper analysis does not include nuclear costs.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 0
<input type="checkbox"/> O&M - Expense	\$ 8,773
O&M - Revenue Requirements	\$ 0
<input type="checkbox"/> O&M - Total	\$ 8,773

Public Relations

2000 Savings (\$000)
2000 Capital Savings (\$000)

Percentage of Savings Capitalized
Revenue Requirements Rate
Inflation Rate
Partial Year Savings
100%

Annual SavingsAnnual Savings AmountO&M SavingsCapital SavingsCumulative Capital SavingsRevenue Requirements Savings

Total O&M and Revenue
Requirements Savings

\$ 70,
\$0

0.0%
20.2%
4.7%

4.7%
4.7%
100%

2000 **2001** **2002** **2003** **2004** **2005** **2006** **2007** **2008** **2009** **Total**

\$708 \$741 \$776 \$812 \$850 \$890 \$932 \$975 \$1,021 \$1,069 \$8,773

A3

\$0 **\$0** **\$0** **\$0** **\$0** **\$0** **\$0** **\$0** **\$0** **\$0** **\$0**

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Public Relations

Categories	Clipper*	Crimson	Combined	Savings %	Savings
Donations	\$ 65,000	\$ 225,000	\$ 290,000	0%	\$ -
Advertising	\$ 1,167,001	\$ 1,244,000	\$ 2,411,001	25% of Total	\$ 602,750
Public Relations	\$ 14,075	\$ 75,000	\$ 89,075	100% of smaller	\$ 14,075
Communications	\$ -	\$ 25,000	\$ 25,000		
Total	\$ 1,246,076	\$ 1,569,000	\$ 2,815,076	Total Savings \$ 616,825	

Total 1997 Savings	\$ 616,825
Years of escalation	3
Escalation Rate	4.7%
Year 2000 Savings	\$ 707,716

*Does not include Nuclear advertising costs

Crimson and Public Relations Expenses

Function #	Description	COM/Energy & Cambridge	COM/GAS
2238	Customer Education	\$ E8 685,000	
1268	Marketing Communications	\$ E8 25,000	
1269	Informational/ Safety Advertising	\$ E8 75,000	
1702	Special Services - Customer Surveys	\$ E8 50,000	
1765	Misc. Advertising	\$ E8 9,000	
1768	Public Relations	\$ E8 75,000	
1770	Donations	\$ E8 225,000	
2251	Advertising - Rental Equipment	\$ E1 135,000	
2261	Advertising - Promotional/Services		
2271	Advertising - New Equipment	\$ E1 290,000	
	Total	\$ 1,144,000	\$ 425,000
			\$ 1,569,000

Assumptions:

- * All numbers are 1999 estimates which are reflective of the recent years according to the Director of Communications.
- * Gas numbers include fixed costs only (equipment).

Clipper Public Relations

Category	1998	1997	1996
External Labor	\$ 800,000	\$ 1,150,186 E _C	\$ 49,752
Agency Costs*			\$ 954,197
Community Contributions			
Nuclear Info	\$ 30,000	\$ 27,000 E _C	\$ 22,261
Community Relations	\$ 60,000	\$ 65,000 E _C	\$ 45,581
Total Contributions	\$ 90,000	\$ 92,000	\$ 67,842
Other Advertising/PR			
Nuclear	\$ 4,000	\$ 2,275 E _C	\$ 6,500
Community Relations	\$ 20,000	\$ 14,075 E _C	\$ 28,551
Total Other	Total \$ 914,000	\$ 1,275,351	\$ 1,057,090

* Includes ad production and media/print placement without breakouts.

\$ 1,246,074

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Table 7.0 Advertising Expenses & Public Relations

INSTRUCTIONS:

Please provide the data requested below as specifically and completely as possible. If data requested is not applicable, please provide a complete explanation of why not. Also, please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

Person Providing Data:
Devt Lehman

not included

Category		Vendor	1996 Cost	1997 Cost	Avg.	Notes / Comments:
Labor	Internal	BECO	\$73,000	\$73,657	\$67,000	Paul Connolly hired full time June '97
	External	Paul Connolly	\$49,752	\$16,815	—	
Media Placement						television, radio, etc.
Print Placement	* Clarke & Company	954/97	\$1,529,186	\$800,000+		
Ad Production	* Clarke Ground					newspapers, magazines, etc
Ad Expenses	Internal					ad design, print setup, filming, etc.
	External					
Community Contributions						schools, civic organizations, charities, etc.
Nuclear Info.	There are all done in house. BECO gives out the contribution	\$2,261 \$45,581	\$27,000 \$65,000	\$30,000 \$60,000		
Community Relations						
Other						
Advertising / PR Expense	Nuclear Info Comm. Ads	\$6500	\$2,275	\$4,000		
	Community Relations Comm. Ads	\$87,551	\$4,075	\$20,000		
						we place these ourselves

* Clarke Ground/Clarke & Company is our agency of record. They do all placements - radio/print fee includes labor expenses in placement. The per 1998 amount spent includes dollars charged for placement, production & fee that wasn't included in the monthly fee. In many instances other cost areas paid for these charges.

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BECO

5/7/03

Table 7.0 Advertising Expenses

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Prepared by Kevin Harnett (x4393)

5.21 Original Detailed breakdown of advertising costs, e.g. labor, media, print, facilities, etc. for 1995 to 1997 and planned for 1998 through the latest date available. Describe types of services performed in-house vs. Outsourced.

Follow-up: Is amount all non-labor? If not, we need the breakdown between labor and non-labor. Additionally, we need to know what types of services are performed in-house vs. Outsourced and cost information for those services.

Detailed historical costs are not available. However, the 1999 budget is available and attached. From discussions with the Director of Public Communications, the 1999 budget is typical of previous years. Also, there are virtually no external costs.

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OPRIETARY &
CONFIDENTIAL1998 Electric Operating Budget
Area 1

Function #	Description	1998 Electric Budget
1022	Travel	12000
1042	Illness	5000
1043	Holiday	44000
1101	Executive Salaries	18000
1199	Secretarial	8000
1239	Public Communications	149000
1267	Employee Communications	35000
1268	Marketing Communications	E12 25000 E4
1269	Informational/Safety Advertising	E12 75000 E4
1702	Special Services-Customer Surveys	E12 50000 E4
1764	Employee Dues	1000
1766	Employee Subscriptions	3000
1768	Misc. Advertising	E13 9000 E4
1768	Customer Communications	E11 685000 E4
1768	Public Relations	E11 75000 E4
1770	Donations	E11 225000 E4
1802	Supervision & Clerical	168000
1811	Auto Expense	8000
1815	Office Supplies	9000
	Total:	1802000

Combined Commonwealth
& Cambridge Electric.

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CONFIDENTIAL

Function #	Description		
1022	Travel	1000	Electric

Travel 12,000

		12000	
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Function #	Description		
1042	Illness	1000	Electric

Illness 5,000

		5000	
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Function #	Description		
1043	Holiday/Vacation	1000	Electric

Holiday/Vacation 44,000

		44000	
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Function #	Description		
1101	Executive Salaries	1000	Electric

Executive Salaries 18,000

		18000	
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Function #	Description	
1199	Secretarial	Electric

Secretarial Salaries 6,000

6000

Function #	Description	
1239	Public Communications	Electric

Public Communications Salaries 149,000

149000

Function #	Description	
1267	Employee Communications	Electric

Printing/Mailing (Pipes & Wires, etc) 15,000
Video Expenses 10,000
Misc. (T-shirts, etc.) 5,000
Web Development 5,000

35000

Function #	Description	
1268	Marketing Communications	Electric

Development & Printing of Business Solutions 25000 E8

25000

06184

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Function #	Description		
1765	Mkt. Advertising	1999	Electric

Complimentary inserts, program books,
etc. 9,000

			9000
--	--	--	------

Function #	Description		
1766	Customer Communications	1999	Electric.

Educational Materials, Changes that
effect customers, DTE mandated
inserts, restructuring materials, customer
newsletter, video production, service
excellence and general printing.

685.000

E8

			685000
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Function #	Description		
1768	Public Relations	1999	Electric.

Beach Clean-up, Green Tree Broo.
Good Neighbor Energy Fund
Community Outreach and Partners in
Education Programs

75,000

E S

			75000
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Function #	Description		
1770	Donations	1999	Electric

Donations

225,000

E8

			225000
--	--	--	--------

00185

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Function #	Description		
1269	Information/Safety Advertising	Electric	

Electrical Safety, Hurricane
Preparedness, Sponsor a Highway,
Etc.

15,000

E8

75000

Function #	Description		
1702	Special Services-Customer Survey	Electric	

Customer Satisfaction Survey

50000

E8

50000

Function #	Description		
1764	Employee Dues	Electric	

Employee Dues

1000

1000

Function #	Description		
1765	Employee Subscriptions	Electric	

Employee Subscriptions - Newspapers &
Journals

3,000

3000

00186

CONFIDENTIAL

Function #	Description		
1802	Supervision & Clerical	1999	Electric

General Salaries	168,000
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168000

Function #	Description		
1811	Employee Auto Expenses	1999	Electric

Employee Owned Auto Expenses	8,000
------------------------------	-------

8000

Function #	Description		
1816	Office Supplies	1999	Electric

Misc. Office Supplies, Internet Software, Cellular telephone expenses	9,000	E 8
--	-------	-----

9000

06187

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1041	Job Injury		0
1042	Illness		✓5000
1043	Holiday		✓35000
1044	Other Paid Absence		✓0
2221	Customer Surveys		✓50000
2227	Employee Communications		✓35000
2231	Customer Education		✓395000
2251	Advertising-Rental Equipment	E15	136000
2261	Advertising-Promotional/Service		125000
2271	Advertising-New Equipment	E17	290000
2362	Administration & Salaries		229000
2768	Subscriptions & Employee Dues		20000
2769	Dues/Co. Memberships		450000
2788	Public Relations		60000
2779	Donations		140000
2803	Business Meals		0
2808	Employee Expense		2000
2810	Other Labor & Expenses		8000
2812	Auto Expense		12000
2818	Office Supplies		8000
			11968000

← E4

← E4

Com/GAS

00188

Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted
104400	Job Injury	0	0	0	0				

PRIETARY &
CONFIDENTIAL

104400	Job Injury	0	0	0	0				
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Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted
104200	Illness	5,000	0	0	5,000				

104200	Illness	5,000	0	0	5,000				
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Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted
104300	Holiday/Vacation	35000	0	0	35000				

104300	Holiday/Vacation	35000	0	0	35000				
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Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted
104400	Other Paid Absence	0	0	0	0				

104400	Other Paid Absence	0	0	0	0				
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104400	Other Paid Absence-System Bonus	0	0	0	0				
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104400	Other Paid Absence-System Bonus	0	0	0	0				
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Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted
102228	Customer Survey	50000	0	50000	50000				

102228	Customer Survey	50000	0	50000	50000				
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Function	Description	1998	1999	Total	Amount	COM/Gas	CEC	Comm. EI	Budgeted

Function	Description	1998	999	1999	Amount
		COM/Gas	CEL	Comm. El.	Budgeted
	Printing/Mailing (Pipes & Wires) & M	15000	0	0	15000
	Video Expense	10000	0	0	10000
	Misc - T-Shirts etc.	5000	0	0	5000
	Web Development	5000	0	0	5000

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22271	Employee Communications	38000	0	0	38000
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Function	Description	1998	999	1999	Amount
		COM/Gas	CEL	Comm. El.	Budgeted

School/Safety Programs	30000				30000
Misc. (Other)	10000				10000
Video Expense	30000				30000
Printing (Pipeline News, inserts)	150000				150000
Kids Fair	10000				10000
Rate Restructuring	100000				100000
DPU-Welfare Mailings for Reduced	15000				15000
DOT-Safety Mailings	40000				40000
Photography	10000				10000

Function	Description	1998	999	1999	Amount
		COM/Gas	CEL	Comm. El.	Budgeted
22251	Advertising-Leased Appliances	135000	0	0	135000

Leased Appliance Advertising	135000				135000
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Function	Description	1998	999	1999	Amount
		COM/Gas	CEL	Comm. El.	Budgeted

Promotional/Service Advertising	125000				125000
Advertising expenses for service advertising and other promotional programs.					

00100

Function #	Description	1998 Amt.	1999 Amt.	Total	Amount	Budgeted
		Actual	Actual	Actual	Actual	Actual
227	Overhead Equipment Replacement COM/Gar	1998	1999	Actual	Amount	Budgeted

Merchandise & Jobbing Advertiseme 290000

290000

514

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		\$290000	\$0	\$0	\$290000
--	--	----------	-----	-----	----------

Function #	Description	1998 Amt.	1999 Amt.	Total	Amount	Budgeted
		Actual	Actual	Actual	Actual	Actual
262	Administration Supplies COM/Gar	1998	1999	Actual	Amount	Budgeted

General Salaries

229000

0

0

229000

		\$229000	\$0	\$0	\$229000
Functions #	Description	1998 Amt.	1999 Amt.	Total	Amount
2756	Dues/Co. Memberships	COM/Gar	CELEB	Comm. EPC	Budgeted

AGA
NEGA204000
98000204000
98000

Other

148000

148000

		\$46000	\$0	\$0	\$46000
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Function #	Description	1998 Amt.	1999 Amt.	Total	Amount	Budgeted
		Actual	Actual	Actual	Actual	Actual
2765	Public Relations	COM/Gar	CELEB	Comm. EPC	Budgeted	

Kindervision 11000
 Field of Dreams 20000
 Police & Fire Chief Dinner 9000
 Senator Durand's Senior Conference 1500
 Partners in Education 7500
 Misc. 11000

11000
20000
9000
1500
7500
1100011000
20000
9000
1500
7500
11000

		\$60000	\$0	\$0	\$60000
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00191

Employee Dues & Subscrip.
(For entire company)

20000	0	0	20000
0	0	0	

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00192

Function #	Description	COM/Gas	Excel	Comm/EI	Total
					Budgeted
52770	General Donations	125000	125000	15000	125000 15000

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		140000	140000	140000	140000
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Function #	Description	COM/Gas	Excel	Comm/EI	Total
					Budgeted
52803	Employee Expenses	2000	2000	0	2000

Misc. Expenses (Tolls, out of pocket expenses)	2000	0	0	2000
---	------	---	---	------

		2000	2000	2000	2000
--	--	------	------	------	------

Function #	Description	COM/Gas	Excel	Comm/EI	Total
					Budgeted
52810	Misc. Other Labor & Expenses	8000	8000	0	8000

Training/Seminars	8000	0	0	8000
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		8000	8000	8000	8000
--	--	------	------	------	------

Function #	Description	COM/Gas	Excel	Comm/EI	Total
					Budgeted
52812	Auto Mileage	12000	12000	0	6000

Auto Mileage	12000	0	0	6000
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Function #	Description	COM/Gas	Excel	Comm/EI	Total
					Budgeted
52815	Misc. Office Supplies	5000	5000	0	5000

Misc. Office Supplies	5000	0	0	5000
Software (internet & intranet)	2000	0	0	2000
Cell Phone Expenses	1000			1000

		8000	8000	8000	8000
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PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Benefits Administration

Clipper's Position:

Clipper's benefits expenses for 1997 are estimated at \$18.4 million (based on internal data). Total benefits administration costs are estimated to be \$1.1 million. Total cost per 1997 employee is \$8,509.

Crimson's Position:

Crimson's benefits expenditures for 1997 were \$12.5 million. Total benefits administration costs are estimated to be over \$751 thousand. Total cost per employee was \$7,845.

Rationale for Savings:

Cost savings can occur in several areas, primarily driven by increased purchasing power in negotiating third party administration fees. Savings are also available by reducing the per dollar cost of benefits provided by the combined company through purchasing leverage from the combination of plans.

Basis for Calculation:

Combined benefit costs were reduced to reflect merger personnel reductions. The administration costs were reduced by 25% to reflect the re-negotiation of administration fees. In addition, total benefit costs were reduced by 4% to reflect consolidation of provider savings.

Key Assumptions:

- Combination of plans and acquisition of a single provider.
- Re-negotiation of per dollar cost of benefits provided.
- Does not assume increase or decrease in level of benefits provided.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 5,185
<input type="checkbox"/> O&M - Expense	\$15,555
<input type="checkbox"/> O&M - Revenue Requirements	\$ 4,821
<input type="checkbox"/> O&M - Total	\$20,576

Benefits

2000 Savings (\$000)	\$ 1,802 F3
2001 Savings (\$000)	\$ 1,897 F3
2002 Savings (\$000)	\$ 2,009 F3
2003 Savings (\$000)	

Percentage of Savings Capitalized
 Revenue Req. Rate 20.0%
 Inflation Rate 20.22%
 Partial Year Savings 100%
 Partial Year Revenue Req. Rate 20.22%

Annual Savings

Annual Savings Amount	\$0 \$ 1,802 \$ 1,897 \$ 2,009
O&M Savings	\$0 \$1,351 \$1,423 \$1,507
Capital Savings	\$0 \$450 \$450 \$0

O&M Savings

Capital Savings	\$0 \$450 \$474 \$502
O&M Savings	\$0 \$0 \$450 \$0
Cumulative Capital Savings	\$0 \$450 \$925 \$1,427
Revenue Requirements Savings	\$0 \$91 \$96 \$102

Cumulative Capital SavingsTotal Revenue Req. Savings

Total O&M and Revenue Requirements Savings	\$0 \$1,442 \$1,610 \$1,795
Total Revenue Req. Savings	\$0 \$91 \$187 \$269
10YR_Crimson3.xls Benefits	

F2

Savings Summary-Benefits

Clipper Admin Costs Escalate 8.0%

Company	Total Benefits Cost (1997)	Administration Cost	Total Employees	Admin Cost/Employee	Benefit Cost/Employee	Total Cost/Employee
Clipper	\$ 18,373,632	\$ 1,102,418	1,102	\$ 2,274	\$ 485	\$ 8,080
Crimson	\$ 12,522,105	\$ 751,326	1,023	\$ 1,628	\$ 462	\$ 7,692
Total	\$ 30,895,737	\$ 1,853,744	2,125	\$ 3,902	\$ 473	\$ 7,918
Combined Administration Costs (Current)	\$ 1,853,744					
Administration Savings (25% of total)	\$ 463,436					
2001 Savings						
Average Cost Per Employee	\$ 8,393					
NewCo Employees (2001)	\$ 3,036					
NewCo Benefit Cost Pool (less Admin cost)	\$ 23,627,400.06					
Consolidation Of Provider Savings (4%)	\$ 945,096					
Total Savings	\$ 1,408,532					
2002 Savings						
Average Cost Per Employee	\$ 8,393					
NewCo Employees (2001)	\$ 2,994					
NewCo Benefit Cost Pool (less Admin cost)	\$ 23,274,894.11					
Consolidation Of Provider Savings (4%)	\$ 930,986					
Total Savings	\$ 1,394,432					
2003 Savings						
Average Cost Per Employee	\$ 8,393					
NewCo Employees (2002)	\$ 2,976					
NewCo Benefit Cost Pool (less Admin cost)	\$ 23,123,820.13					
Consolidation Of Provider Savings (4%)	\$ 924,983					
Total Savings	\$ 1,388,359					
2001 Savings (\$000)	\$ 1,302					
2002 Savings (\$000)	\$ 1,897					
2003 Savings (\$000) (steady state)	\$ 2,009					

Source: Internal Data

Assumptions:

Administration Costs are 6% of the Total benefit costs
 Administration Costs savings are 25% of total Combined amount

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F3

F4

Clipper 1997 Total Benefits

	Benefits	Retiree Costs**
Life Insurance (Includes AD&D)	\$ 734,568	
Dental	\$ 1,675,154	
Medical Plans:		
Blue Cross Blue Shield of Mass.	\$ 1,248,524	
Tufts Community Health Plan	\$ 675,448	
HMO Blue (BC&BS of MA)	\$ 629,631	
Blue Care Elect (BC&BS of MA)	\$ 6,932,109	
Harvard/Pilgrim Health Care	\$ 3,201,664	
Total Medical Plan Costs	\$ 12,687,376	
Prescription Drug	\$ 2,491,100	
Vision	\$ 424,812	
401k Match	\$ 360,622	
Disability	\$ 8,316,029	
Post Retirement Benefits	\$ 23,265,000	
Other		
Annual Workers Comp expenditures	\$ 2,117,814	
Total Benefit Costs	\$ 18,373,632	

** retiree costs not included

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Crimson 1997 Total Benefits

Life Insurance	Benefits \$	Retiree Costs**
Group Ins.	\$ 516,400	337,317
Active Employees		
Retirees	186,552	
Accidental Death Ins.		
Active Employees		
Payment in lieu of Ins.		
Retirees	45,492	
Survivor Income Ins.		
Active Employees	511,200	
Total Life Plans	\$ 1,214,152	
Health Plans		
Master Medical		
Active Employees	\$ 8,178,566	2,573,673
Retirees		
HealthFlex Blue		
Active Employees	1,240,288	119,011
Retirees		
Medox		
Retirees	2,163,032	
OBRA		
Medicare B Reimbursement		
Retirees	37,821	
Dental		
Active Employees-Delta Dental	882,850	
Active Employees-Dental Blue	504,554	
Retirees-Dental Blue	422,023	
Dental Total	\$ 1,397,404	
Total Health Plans	\$ 12,059,229	
Other Plans		
Savings		
Pension		
Long term disability	4,220,667	7,782,200
Business Travel Accident		
Voucher Program	434,985	14,983
Total Other Plans	12,908	
Total Benefits Costs		\$ 12,522,105

** retiree costs not included

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CATEGORY	BENE	COSTS	1997 Cost	1998 Planned Cost	Vendor
Life Insurance (Includes AD&D)			734,568	999,999	Metropolitan
Dental			1,675,154	1,873,827	Delta Dental of Massachusetts
Medical Plans:					
Blue Cross Blue Shield of Massachusetts			1,248,524	1,505,747	
Tufts Community Health Plan			675,448	650,775	
HMO Blue (BC&BS of MA)			629,631	625,590	
Blue Care Elect (BC&BS of MA)			6,932,109	6,679,089	
Harvard/Pilgrim Health Care			3,201,664	3,205,169	
Total Medical Plan Costs			12,687,376	12,666,370	
Prescription Drug			2,491,100	2,458,718	P&ID Prescriptions
Vision			424,812	304,802	Blue Cross Blue Shield of MA
401k Match			8,316,029	8,129,751	Fidelity
Disability			360,622	399,999	Metropolitan
Post Retirement Benefits			23,265,000	17,333,529	
Other					
Administrative Fees:					
Medical					
Dental					
Savings (401k)					
PAYSOP/ESOP					
Life Insurance					
Pension					
Actuarial					
(Pension & OPEB)					
Other					

COMMONWEALTH ENERGY SYSTEM AND SUBSIDIARY COMPANIES
1987 EMPLOYEE BENEFITS COSTS
TOTAL ACTIVE & RETIRED

	Total	Commonwealth Electric	Cambridge Electric	Canal Electric	Commonwealth Gas	Adv. Energy Systems	Com/Energy Technologies	Com/Energy Marketing	Com/Energy Services
Life Insurance Plans									
Group Insurance	\$516,400	\$367,888	\$3,948	\$3,948	\$134,048	\$0	\$0	\$0	\$8,768
Active Employees	337,317	94,520	39,857	240	137,100	0	0	0	66,560
Retirees	853,717	467,208	42,805	4,188	271,148	0	0	0	73,363
Group Insurance Total	1,190,125	467,208	82,662	0	371,248	0	0	0	0
Accidental Death Insurance	186,552	182,242	647	431	2,371	0	0	0	862
Active Employees	45,492	21,112	6,841	0	9,630	0	0	0	7,909
Retirees	511,200	215,681	42,557	38,639	156,855	1,535	0	0	55,933
Survivor Income Insurance	1,596,961	881,243	82,849	43,258	440,004	1,535	0	0	138,072
Total Life Plans									
Health Plans									
Master Medical	8,179,586	3,927,749	557,884	608,605	2,566,531	2,220	0	977	515,600
Active Employees	2,573,673	1,216,334	136,179	289,859	734,732	0	0	0	196,569
Retirees	10,753,239	5,144,083	634,063	838,464	3,301,263	2,220	0	977	712,169
Master Medical Total	11,240,286	5,144,083	1,353,202	0	0	0	0	0	0
HealthFlex Blue	299,990	268,165	15,228	415,544	0	0	0	0	241,359
Active Employees	119,011	35,131	12,722	318	54,403	0	0	0	16,437
Retirees	1,339,287	335,121	280,887	15,546	469,947	0	0	0	257,795
HealthFlex Blue Total	37,821	24,045	785,155	233,218	91,553	833,881	0	0	0
Medex	2,163,032	849,204	8,543	49	5,184	0	0	0	0
Retirees	2,200,553	809,204	241,761	91,702	839,065	0	0	0	0
OBRA	654,594	256,712	76,957	26,455	235,951	0	0	0	219,125
Medex Total	892,850	407,189	88,459	68,900	318,303	0	0	0	0
Medicare B Reimbursement	504,554	201,779	28,328	17,453	118,908	446	0	332	137,308
Retirees	422,023	186,351	39,879	23,398	132,685	0	0	0	39,710
Dental	1,809,426	795,318	156,865	109,751	569,886	446	0	332	177,018
Total Health Plans	16,777,409	7,340,434	1,450,333	1,141,918	5,416,123	2,686	0	1,309	1,424,627
Other Plans	4,220,667	1,693,098	306,128	260,047	1,383,711	6,784	0	10,349	560,556
Savings Plan	7,782,200	3,799,443	30,0	621,576	2,221,245	18,393	0	0	1,121,553
Pension Plan	434,985	189,380	30,490	37,410	123,730	0	0	0	0
Long Term Disability	14,983	6,324	1,122	895	4,974	15	0	0	53,535
Business Travel Accident	12,908	4,857	562	300	2,754	0	0	0	1,653
Voucher Program	12,465,742	5,693,802	338,242	920,228	3,736,414	25,182	0	0	4,435
Total Other Plans	\$30,840,112	\$13,915,278	\$1,881,425	\$2,105,403	\$9,592,540	\$29,383	\$0	\$11,658	\$3,304,424
Total Costs									

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Insurance

2000 Savings (\$000)	\$1,436	<i>(53)</i>
2000 Capital Savings (\$000)	\$0	
Percentage of Savings Capitalized	0.0%	
Revenue Requirements Rate	20.2%	
Inflation Rate	2.5%	2.5%
Partial Year Savings	100%	

Annual Savings

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Annual Savings Amount	\$1,436	\$1,472	\$1,509	\$1,547	\$1,585	\$1,625	\$1,666	\$1,707	\$1,750	\$1,794	\$16,091
O&M Savings	\$1,436	\$1,472	\$1,509	\$1,547	\$1,585	\$1,625	\$1,666	\$1,707	\$1,750	\$1,794	\$16,091
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
					\$0	\$0	\$0	\$0	\$0	\$0	\$0
						\$0	\$0	\$0	\$0	\$0	\$0
							\$0	\$0	\$0	\$0	\$0
								\$0	\$0	\$0	\$0
									\$0	\$0	\$0
										\$0	\$0

Cumulative Capital Savings

Cumulative Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fixed Charge Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Savings	<i>A2</i>	\$1,436	\$1,472	\$1,509	\$1,547	\$1,585	\$1,625	\$1,666	\$1,707	\$1,750	\$1,794

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1998 Insurance Expenses (Annualized Most Recent Premiums)

Category	Crimson	Clipper	Combined	Savings % of total	A	Savings
Property	800,756	356,303	1,157,059	10%	A	115,706
Excess Liability	1,135,833	1,363,090	2,498,923	25%	H	624,731
General Liability	99,137	70,000	B	0%	C	-
Fiduciary and Crime	86,000	49,254	135,254	100%	of smaller	49,254
D&O	748,500	507,132	1,255,632	25%	H	313,908
Workers Comp:						G4
Primary	128,189	D	128,189	NA	D	-
Excess	92,005	430,920	522,925	100%	of smaller	92,005
Bond	19,344	26,600	44,944	100%	of smaller	19,344
Comm. Of MA	-	97,279	97,279	0%	-	-
Ins. Years Retro	-	61,880	61,880	0%	G	-
Reserve adj.	-	29,834	29,834	0%	G	-
Employment Practices	150,000	-	150,000	100%	E	150,000
Professional Liability	2,080	-	2,080	100%	E	2,080
	3,261,844	2,994,292	6,255,136	1,367,028		1,367,028

* BEC's nuclear expenses excluded.

Total 1998 Savings	1,367,028
Years of Escalation	2
Escalation (F)	2.50%
Year 2000 Savings	\$343,233

- (A) savings per broker (of both CES and BEC)
 (B) Costs of claims are deleted for BEC
 (C) GI coverages (bonds, misc. liabilities) not likely to decrease
 (D) Need to check if claims are included
 (E) Coverage included in Excess Liability
 (F) Insurance escalated at 2.5%
 (G) These costs are phasing out
 (H) Per Aegis' quick estimate

G3

1998 Insurance Expenses (Annualized Most Recent Premiums)

1.367

Category	Com/Energy	BEC	Combined	Savings %	Savings
Property	800,756	356,303	1,157,059	10%	(A) 115,706 ✓
Excess Liability	1,135,833	1,363,090	2,498,923	25%	(H) 624,731 ✓
General Liability	99,137	70,000	(B) 169,137	None (C) 0 ✓	
Fiduciary and Crime	86,000	49,254	135,254	50% / 0% of smaller	67,621 ✓ 49,254
D &O	748,500	507,132	1,255,632	25%	(H) 313,908 ✓
Workers Comp: Primary	128,189	(D) 0	128,189	NA (D) ?	
Excess	92,005	430,920	522,925	100 30% / 0% of smaller	156,878 92,005
Bond	19,344	25,600	44,944	40% of smaller	17,978 19,344
Comm. Of MA	-	97,279	97,279	None	
Ins. Years Retro	-	61,880	61,880	100% (G) 61,880	
Reserve adj.	-	29,834	29,834	100% (G) 29,834	*
Employment Practices	150,000	-	150,000	100% (E) 150,000	
Professional Liability	2,080	-	2,080	100% (E) 2,080	
Total:	3,261,844	2,991,292	6,253,136	1,540,621	

*BEC's nuclear expenses excluded.
 Total 1998 Savings \$1,540,621
 Years of Escalation 2
 Escalation rate zero (F)
 Year 2000 Savings \$ 1,540,621

- (A) Est. savings per broker (of both CES and BEC)
- (B) Costs of claims are deleted for BEC
- (C) GL coverages (bonds, misc. liabilities) not likely to decrease.
- (D) Need to check if claims are included.
- (E) Coverage included in Excess Liability.
- (F) Insurance costs not escalating.
- (G) These costs are phasing out.
- (H) Per Aegis' quick estimate

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data confirmed by

Dr. C. C. L. 12/11/98

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PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Information Systems - Capital

Clipper Position:

All major systems and hardware are, or will be, year 2000 compliant. Applications are scalable to allow for additional users and usage. Oracle financials being implemented for Financial Management ERP solution. Currently evaluating implementation of new work management system.

Rationale for Savings:

Capital savings will result from the avoidance and elimination of duplicate or unnecessary system development expenditures and the extension of a common IT infrastructure and architecture across the combined company. Additionally, the combined entity will avoid system development costs going forward and realize the benefits of developing applications on a common platform rather than each company expending capital separately.

Basis for Calculation:

Parallel efforts for specific systems by both companies can be avoided. Projected capital expenditures associated with the development of duplicative systems and future application development have been converted to revenue requirements assuming a 6 year depreciable life converting to a 27.4% annual fixed charge rate. Assumed future expenditures on CIS, financials, work management and trouble management systems beyond 2000 are assumed avoidable for one company with migration to the common architecture and platform.

Key Assumptions:

- Existing parallel system development efforts would be discontinued in the near term.
- Systems currently in place or near development completion are adequate for the combined entity.
- Migration to common architecture and platform occurs over a two year timeframe.

Total Savings (\$000):

- | | |
|---|-----------------|
| <input type="checkbox"/> Capital Savings | \$36,764 |
| <input type="checkbox"/> O&M Savings | \$ 0 |
| <input type="checkbox"/> Revenue Requirements Savings | <u>\$50,777</u> |
| <input type="checkbox"/> O&M and Revenue Requirements Savings | \$50,777 |

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PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Information Systems - O&M/PCs

Crimson Position:

Currently has an inventory of 751 workstations including laptops. There are 890 workstation users in the company resulting in a ratio of employees to computers of approximately 1:1. Each personal computer is leased at a cost of approximately \$525 per year for hardware and \$67 for required software and maintenance. Additionally, leased mainframe hardware, software licenses, and associated maintenance cost approximately \$2.2 million per year. Annual application O&M is approximately \$200,000 per year.

Rationale for Savings:

Cost savings will be realized from the avoidance of leasing PCs due to the reduced number of positions requiring workstations.

Savings will also occur due to the elimination of software and hardware leases, and associated maintenance, resulting from the migration to a common operating platform.

Basis for Calculation:

PC savings were estimated from the corporate and administrative labor position reductions multiplied by the savings per personal computer (hardware and software)

Data center and application savings were estimated by increasing Clipper's current costs by 25% to accommodate Crimson's operations, then reducing or eliminating Crimson's non-labor operating expenses.

Key Assumptions:

- Clipper applications expandable to accommodate Crimson over two year phase in period
- 2 year migration to common platform and architecture
- Applications migrated at same rate as hardware

Total Savings (\$000):

<input type="checkbox"/> Capital Savings	\$ 0
<input type="checkbox"/> O&M Savings	\$25,733
<input type="checkbox"/> Revenue Requirements Savings \$ ____ 0	\$25,733
<input type="checkbox"/> O&M and Revenue Requirements Savings)

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H-B

Management Information Systems (Development Projects)

Percentage of Savings Capitalized	100.0%
Revenue Requirements Rate	24.04%
Inflation Rate	2.5%
Estimated Life	3

Partial Year Savings
Partial Year Revenue Req. Rate

Annual Savings

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

Annual Savings Amount

\$14,458	\$14,800	\$14,933	\$15,031	\$15,272	\$15,585	\$16,013	\$16,518	\$17,031	\$17,627	\$18,309
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O&M Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Capital Savings

\$4,458	\$14,800	\$11,031	\$2,421	\$572	\$586	\$601	\$616	\$631	\$647	\$0
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Capital Savings (Depreciated)

\$4,458	\$14,800	\$11,031	\$2,821	\$572	\$586	\$601	\$616	\$631	\$647	\$0
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Cumulative Capital Savings

\$4,458	\$19,258	\$30,289	\$33,110	\$33,682	\$34,268	\$30,411	\$16,227	\$5,828	\$3,654	\$0
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Revenue Requirements Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Total Revenue Requirements Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

Total O&M and Revenue Requirements Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

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Total \$125 \$2,819 \$7,417 \$8,098 \$8,239 \$8,259 \$8,260 \$5,864 \$1,423 \$0 \$50,777 A4

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Total \$125 \$2,819 \$7,417 \$8,098 \$8,239 \$8,260 \$5,864 \$1,423 \$0 \$50,777 A4

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10YR_Crimson3.xls MIS - Capital

Management Information Systems (Operating Costs)1999 O&M Savings (\$'000)

Percentage of Savings Capitalized	0.0%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	0.00%	0.00%	0.00%
Revenue Requirements Rate	24.04%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Inflation Rate										
Estimated Life	3									
Partial Year Savings	100%									
<u>Annual Savings</u>	<u>\$1,319</u>	<u>2,000</u>	<u>2,002</u>	<u>2,003</u>	<u>2,004</u>	<u>2,005</u>	<u>2,006</u>	<u>2,007</u>	<u>2,008</u>	<u>2,009</u>

<=> From IT Model

Cumulative Capital SavingsRevenue Requirements SavingsTotal O&M and Revenue Requirements Savings

	\$1,319	\$2,574	\$2,638	\$2,704	\$2,771	\$2,841	\$2,912	\$2,982	\$3,052	\$3,122
O&M Savings	\$1,319	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings (Depreciated)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Cumulative Capital SavingsRevenue Requirements SavingsTotal O&M and Revenue Requirements Savings

	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
O&M Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings (Depreciated)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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IT Synergies - Summary (in \$000)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
SAVINGS											
O&M											
Data Centers	\$1,021	\$1,569	\$2,145	\$2,198	\$2,253	\$2,310	\$2,367	\$2,427	\$2,487	\$2,549	\$21,326
Workstations	\$19	\$20	\$21	\$21	\$21	\$22	\$22	\$23	\$23	\$24	\$216
Telecommunications	\$160	\$170	\$174	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$1,802
Applications Consolidation	\$110	\$168	\$230	\$236	\$242	\$248	\$254	\$261	\$267	\$274	\$2,280
Projects (Applications Development)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M Savings	\$1,319	\$1,931	\$2,574	\$2,638	\$2,704	\$2,771	\$2,841	\$2,912	\$2,985	\$3,059	\$25,733
Capital											
Data Centers											
Workstations	\$203	\$208	\$213	\$219	\$224	\$230	\$235	\$241	\$247	\$254	\$2,275
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applications Consolidation	\$255	\$14,592	\$10,817	\$2,602	\$348	\$357	\$366	\$375	\$384	\$394	\$34,489
Total Capital Savings	\$4,458	\$14,600	\$11,031	\$2,821	\$572	\$866	\$801	\$816	\$831	\$847	\$36,764
Revenue Requirements											
Data Centers											
Workstations	\$49	\$99	\$150	\$203	\$237	\$312	\$320	\$328	\$336	\$344	\$3,366
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applications Consolidation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projects (Applications Development)	\$76	\$153	\$2,669	\$7,214	\$7,842	\$7,928	\$7,940	\$7,952	\$5,529	\$1,078	\$48,381
Total Revenue Requirements	\$125	\$252	\$2,819	\$7,417	\$8,068	\$8,239	\$8,259	\$8,280	\$5,864	\$1,423	\$50,777
TOTAL SAVINGS (O&M and RR)	\$1,444	\$2,184	\$5,393	\$10,055	\$10,802	\$11,011	\$11,100	\$11,191	\$8,849	\$4,482	76,510
COST TO ACHIEVE											
O&M											
Data Centers	\$807	\$1,211	\$1,616	\$1,615	\$1,615	\$1,615	\$1,615	\$1,615	\$1,615	\$1,615	\$14,935
Workstations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applications Consolidation	\$6,935	\$3,858	\$4,109	\$637	\$653	\$670	\$686	\$703	\$721	\$739	\$19,712
Projects (Applications Development)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M Cost to Achieve	\$7,743	\$5,069	\$5,724	\$2,252	\$2,268	\$2,284	\$2,301	\$2,318	\$2,336	\$2,354	\$34,647
Capital											
Data Centers											
Workstations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applications Consolidation	\$4,420	\$1,753	\$1,797	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,970
Projects (Applications Development)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Capital Cost to Achieve	\$3,420	\$1,753	\$1,787	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,970
Revenue Requirements											
Data Centers											
Workstations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Telecommunications	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Applications Consolidation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projects (Applications Development)	\$2,022	\$1,244	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$10,055
Total Revenue Requirements CTA	\$2,022	\$1,244	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$10,055
TOTAL COST TO ACHIEVE (O&M and RR)	\$8,565	\$6,312	\$7,400	\$2,928	\$3,944	\$3,960	\$3,754	\$2,750	\$2,336	\$2,354	44,702
NET	(\$7,121)	(\$4,129)	(\$2,007)	\$6,127	\$6,859	(\$7,051)	(\$7,946)	\$6,441	\$6,513	\$2,128	\$31,809

Applications - Savings (In \$000)

Revenue Requirements Rates (by year) 24.0% 24.0% 24.0% 24.0% 24.0% 24.0% 0.0% 0.0% 0.0% 0.0% 0.0%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
--	------	------	------	------	------	------	------	------	------	------	------	-------

O&M Savings \$110 \$168 \$230 \$236 \$242 \$248 \$254 \$261 \$267 \$274 \$0 \$2,290

Capital Savings \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

\$0 0 0 0 0 0 0 0 0 0 0

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Cumulative Capital Savings \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Revenue Requirements Savings \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

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Cumulative Revenue Requirements Savings \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Total O&M and Revenue Requirements Savings \$110 \$168 \$230 \$236 \$242 \$248 \$254 \$261 \$267 \$274 \$0 \$2,290

\$110 168 230 236 242 248 254 261 267 274 0 2,290

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It_03.xls; Apps Savings - O&M & RR

Applications - Costs to Achieve (In \$000)

Revenue Requirements Rates (by year) 24.0% 24.0% 24.0% 24.0% 24.0% 24.0% 24.0% 0.0% 0.0% 0.0% 0.0% 0.0%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Cost to Achieve	\$6,935	\$3,858	\$4,109	\$637	\$653	\$670	\$686	\$703	\$721	\$739	\$0	\$19,712
Capital Cost to Achieve	\$3,420	\$1,753	\$1,797	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,970
Cumulative Capital Cost to Achieve	\$3,420	\$5,173	\$6,970	\$6,970	\$6,970	\$6,970	\$6,970	\$6,970	\$6,970	\$6,970	\$0	\$0
Revenue Requirements Cost to Achieve	\$822	\$421	\$432	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Revenue Requirements Cost to Achieve	\$822	\$1,244	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$1,676	\$0	\$10,055
Total O&M and Revenue Requirements Cost to Achieve	\$7,758	\$5,101	\$5,785	\$2,313	\$2,329	\$2,345	\$1,540	\$1,135	\$721	\$739	\$0	\$29,767

Applications - Savings and Cost to Achieve Detail

	Annual Savings	Annual Costs to Achieve	Lump Sum Cost to Achieve									
	2008,600	\$ 553,250	\$ 19,150,000									
	100%	2.50%	2.50%									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Savings												
Phase in Approach	50%	\$ 109,560	\$ 168,480	\$ 230,255	\$ 236,012	\$ 241,912	\$ 247,960	\$ 264,159	\$ 260,513	\$ 267,026	\$ 273,701	\$ 100%
Savings Amount - O&M	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Savings Amount - Capital	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Costs to Achieve												
Phase in Approach	50%	\$ 295,882	\$ 454,919	\$ 621,723	\$ 637,286	\$ 653,197	\$ 669,527	\$ 686,265	\$ 703,422	\$ 721,008	\$ 739,033	\$ 100%
Annual Costs - O&M	100%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Costs - Capital	0%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
One Time Costs to Achieve												
Phase in Approach	50%	\$ 6,839,425	\$ 3,402,705	\$ 3,487,773	\$ 0%	\$ 0%	\$ 0%	\$ 0%	\$ 0%	\$ 0%	\$ 0%	100%
One Time Cost - O&M	66%	\$ 3,420,310	\$ 1,752,909	\$ 1,795,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,529,903
One Time Cost - Capital	34%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,968,950

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Application Systems - Consolidation Assumptions

	System Name	Annual Savings (\$K)			Annual Costs to Achieve (\$K)			One Time Costs to Achieve (\$K)		
		Eliminated Maintenance/License Fees	Current Expense for Starting Sys	Incremental Percent	New Maintenance/License Fees	Expand Capacity	Modify Software	Modify Interfaces	Convert Data	Train Users
Customer Support	Clipper	\$37	\$1,300	25%	\$1,300	0	4,000	1,000	6,000	10,000
Billing	CIRS	\$0	\$0	0%	\$0	0	0	0	0	0
Customer Information	CIRS	\$25	\$0	0%	\$0	0	0	0	0	0
CTI	CIRS	\$0	\$0	0%	\$0	0	0	0	0	0
Customer Accounting	ITRON	\$0	\$0	0%	\$0	0	0	0	0	0
Meter Reading	Ensonic	\$0	\$100	100%	\$100	0	0	0	0	0
Net Trading	MVSO	\$0	\$11	1%	\$11	0	0	0	0	0
Supply Chain Management	MMAPS	\$0	\$10	10%	\$10	0	0	0	0	0
Material Inventory	MMAPS	\$0	\$10	10%	\$10	0	0	0	0	0
Purchasing	MMAPS	\$0	\$10	10%	\$10	0	0	0	0	0
Accounts Payable	MMAPS	\$0	\$10	10%	\$10	0	0	0	0	0
Human Resource Management	BETAS	\$0	\$32	25%	\$32	0	0	0	0	0
Time Entry	Contract Interpreter	\$0	\$0	0%	\$0	0	0	0	0	0
Contract Interpretation	GEAC	\$0	\$0	0%	\$0	0	0	0	0	0
Payroll	OASSIS	\$0	\$18	100%	\$18	0	0	0	0	0
Personnel	Labor Distribution	\$0	\$0	0%	\$0	0	0	0	0	0
Pension & Benefits	GEAC	\$0	\$1	1%	\$1	0	0	0	0	0
Financial Management	Oracle Financials	\$0	\$312	25%	\$312	0	0	0	0	0
GL	Oracle Financials	\$0	\$227	25%	\$227	0	0	0	0	0
Budget	Oracle Financials	\$0	\$0	0%	\$0	0	0	0	0	0
Project Costing	Oracle Financials	\$0	\$0	0%	\$0	0	0	0	0	0
Fixed Assets	Oracle Financials	\$0	\$0	0%	\$0	0	0	0	0	0
WFM	INDUS	\$0	\$245	100%	\$245	0	0	0	0	0
Distribution - Gas	IWMS	\$0	\$0	0%	\$0	0	0	0	0	0
Distribution - Electric	MAO	\$0	\$161	100%	\$161	0	0	0	0	0
Customer Service	Symonien	\$0	\$211	100%	\$211	0	0	0	0	0
Outreach	Field Service	\$0	\$88	100%	\$88	0	0	0	0	0
Geoc Info System	CalDimeco (\$0)	\$0	\$0	0%	\$0	0	0	0	0	0
Appointment Scheduling	CRS	\$0	\$0	0%	\$0	0	0	0	0	0
Plant Management	-	\$0	\$0	0%	\$0	0	0	0	0	0
Estimation	-	\$0	\$0	0%	\$0	0	0	0	0	0
Facilities Management	SIMP	\$0	\$0	0%	\$0	0	0	0	0	0
Energy Management	Smart Grid	\$0	\$1,300	100%	\$1,300	0	0	0	0	0
System Control - Gas	EMST SCADA/TM, DSON	\$0	\$1,505	100%	\$1,505	0	0	0	0	0
System Control - Electric	RTS	\$0	\$25	100%	\$25	0	0	0	0	0
Other	RTS	\$0	\$0	0%	\$0	0	0	0	0	0
Electric Outage	CDW	\$0	\$0	0%	\$0	0	0	0	0	0
Shareholder System	DW Front End	\$0	\$0	0%	\$0	0	0	0	0	0
GUI Front-End for CIRS/TM5, Rules, CUBS, and IWMS	BESTS	\$0	\$85	100%	\$85	0	0	0	0	0
Rates	RTS	\$0	\$0	0%	\$0	0	0	0	0	0
Data Warehouses	-	\$0	\$22	100%	\$22	0	0	0	0	0
Total		\$208	\$2,349	100%	\$2,349	\$563	0	5,500	1,500	2,650
										19,150

Notes:
Labor assumed to be approximately 50% of total maintenance and licensing cost

Data Center - Savings Backup

	1997		1998		SAVINGS	
	Clipper	Crimson	Rationale	Percent	Amount	
Mainframe - Primary Processing Capacity						
Depreciation / Amortization	\$ 1,279,330	\$ 522,000				
Lease Payments	\$ 138,574	\$ 81,000				
HW Maintenance Contracts	\$ 1,273,694	\$ 506,000				
Software Maint. & License						
Total	\$ 2,691,597	\$ 1,109,000				
Servers - Primary Processing Capacity						
Depreciation / Amortization	\$ 1,264,172	\$ 378,000				
Lease Payments	\$ 1,917,729	\$ 184,000				
HW Maintenance Contracts	\$ 351,704	\$ 272,000				
Software Maint. & License						
Total	\$ 3,533,605	\$ 834,000				
Combined						
Depreciation / Amortization	\$ 233,000	\$ 234,000	Percent of Crimson	0%	\$ -	
Disaster Recovery, EDI, Storage, etc	\$ 2,543,502	\$ 900,000	Percent of Crimson	0%	\$ -	
Lease Payments	\$ 2,056,303	\$ 265,000	Percent of Crimson	100%	\$ 900,000	
HW Maintenance Contracts	\$ 1,625,397	\$ 778,000	Percent of Crimson	100%	\$ 265,000	
Software Maint. & License			Percent of Crimson	100%	\$ 778,000	
Total	\$ 6,458,202	\$ 2,177,000				
Backup processing capacity - Mainframe						
						\$ -
TOTAL DATA CENTER SAVINGS						
	1998					
	2000					
				2.50%		
TOTAL DATA CENTER COSTS TO ACHIEVE						
assumes increase of clipper costs of	25%	1997	2000			

NOTES:
(1) Assumes Data Center consolidation to Clipper location.

Clipper Labor Removal Calculations	\$ 870,455
Payroll Taxes	8.8%
Payroll Tax Rate	
Labor Cost	\$ 9,876,859
Total O&M	\$ 19,259,279
Labor % of O&M	51.3%

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Project
or
Program

- DR

Confidential - For Internal Use Only

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Workstation - Savings (in \$000)

	Revenue Requirements Rates (by year)											
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Savings	H 8④	\$19	\$20	\$20	\$21	\$21	\$22	\$22	\$23	\$23	\$24	\$216
Capital Savings		\$203	\$208	\$213	\$219	\$224	\$230	\$235	\$241	\$247	\$254	\$2,275
		203	208	213	219	224	230	235	241	247	254	
Cumulative Capital Savings	H 8⑥	\$203	\$411	\$625	\$843	\$1,067	\$1,297	\$1,533	\$1,774	\$2,021	\$2,275	\$2,275
Revenue Requirements Savings		\$49	\$50	\$51	\$53	\$54	\$55	\$57	\$58	\$59	\$61	\$0
		49	50	51	53	54	55	57	58	59	59	0
Total O&M and Revenue Requirements Savings		\$66	\$119	\$170	\$223	\$278	\$334	\$342	\$351	\$359	\$368	\$2,612
Cumulative Revenue Requirements Savings		\$49	\$99	\$150	\$203	\$257	\$312	\$320	\$328	\$336	\$344	\$0

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Workstation Savings Detail

Escalation Rates		2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Partial Year Savings		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
HARDWARE												
Phase In Approach	Pct. Capital	2000	2801	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cumulative reductions in computer users (see adjustments below)	From User	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$ 40,738	\$ 275	275	275	275	275	275	275	275	275	275	275	275
Annual lease per user (1)	\$ 203,049	757	757	776	795	815	835	856	876	900	922	945
Total Hardware Savings	100.00%	①	208,126	\$ 213,329	\$ 218,662	\$ 224,129	\$ 229,732	\$ 235,475	\$ 241,362	\$ 247,396	\$ 253,581	\$ - \$ 2274,840
SOFTWARE												
Phase In Approach	Pct. Capital	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cumulative reductions in computer users	From User	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual expenses per computer user (1)	\$ 9,107	70	72	74	75	75	77	79	81	83	85	87
Total Software Savings	0.00%	①	19,262	\$ 19,744	\$ 20,237	\$ 20,743	\$ 21,262	\$ 21,793	\$ 22,338	\$ 22,896	\$ 23,469	\$ 24,056
MAINTENANCE												
Phase In Approach	Pct. Capital	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cumulative reductions in computer users	From User	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Annual expenses per computer user (1)	\$ 275	275	275	275	275	275	275	275	275	275	275	275
Total Maintenance Savings	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal - O&M	O&M	\$ 19,262	\$ 19,744	\$ 20,237	\$ 20,743	\$ 21,262	\$ 21,793	\$ 22,338	\$ 22,896	\$ 23,469	\$ 24,056	\$ - \$ 215,759
Subtotal - Capital	Capital	\$ 203,049	\$ 208,126	\$ 213,329	\$ 218,662	\$ 224,129	\$ 229,732	\$ 235,475	\$ 241,362	\$ 247,396	\$ 253,581	\$ - \$ 2,274,840
TOTAL WORKSTATION SAVINGS												
(1) Annual cost calculated as blended average cost												

(Excluded Sub-Functions from A&G Count

	Reductions
Transportation	16
Office Services	4
Facilities Maintenance	15
Staterooms	20
Metership	10
Total to Exclude	65
Total to Include	44

Include Sub-Functions in A&G Count

Distribution Engineering	14
Transmission Engineering & Support	10
Bulk Power Marketing and Sales	6
Transmission Management and Administration	3
Distribution Management and Administration	5
Distribution System Planning	2
Environmental Affairs	3
Test Laboratory	1

Workstation - Average Costs

	Clipper	Crimson	Combined
Hardware Specifications			
Software Specifications			
Number of Employees	\$ 2,230,000	\$ 1,108,000	\$ 3,338,000
Number of Corporate Users	1,800	990	2,690
Number of Workstations	1,901	1,000	2,652
Number of Years to Replace (1)	2	3	
Annual Number of Replacements	951	250	1,201
Workstation Replacement Cost	\$ 1,499 per unit	\$ 1,575	\$ 1,500
Hardware Blended Average Replacement Cost			
Annual replacement cost per workstation	\$ 750	\$ 1,525	\$ 703 CAC
Software Blended Average Replacement Cost			
Average software cost per workstation	\$ -	\$ 279	\$ 140 CAC
Annual Licensing Fees	\$ -	\$ -	\$ 279 H23 F
- Licensing and Maintenance	\$ -	\$ -	\$ -
-	\$ -	\$ -	\$ -
-	\$ -	\$ -	\$ -
-	\$ -	\$ -	\$ -
Total			
Annual software cost per workstation user	\$ -	\$ 279	\$ 67 CAC
Maintenance Blended Average Cost			
Average maintenance cost per workstation	\$ -	\$ -	\$ -
Annual maintenance costs	\$ -	\$ -	\$ -
Annual maintenance cost per workstation user	\$ -	\$ -	\$ -

NOTES:

(1) Current PC obsolescence plan for clipper is for 2-3 year replacement; a 2 year average was used to recognize current technology trends. PC's are purchased.

C2
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? I_03.xls: Wkstn - Avg Cost

Applications - Savings (in \$000)

Revenue Requirements Rates (by year) 24.0% 24.0% 24.0% 24.0% 24.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Savings	\$110	\$168	\$230	\$236	\$242	\$248	\$254	\$261	\$267	\$274	\$0	\$2,290
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫
Cumulative Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	⑬	⑭	⑮	⑯	⑰	⑱	⑲	⑳	㉑	㉒	㉓	㉔
Cumulative Revenue Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Savings	\$110	\$168	\$230	\$236	\$242	\$248	\$254	\$261	\$267	\$274	\$0	\$2,290
	⑪	⑫	⑬	⑭	⑮	⑯	⑰	⑱	⑲	㉑	㉓	㉔

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Applications - Costs to Achieve (in \$000)

Revenue Requirements Rates (by year)	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	0.0%	0.0%	0.0%	0.0%	0.0%
--------------------------------------	-------	-------	-------	-------	-------	-------	------	------	------	------	------

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Cost to Achieve	H12(F) H12(A)	\$6,935	\$3,858	\$4,109	\$637	\$653	\$670	\$686	\$703	\$721	\$739	\$0
Capital Cost to Achieve	H12(E)	\$3,420	\$1,753	\$1,797	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$19,712
		3,420	1,753	1,797	0	0	0	0	0	0	0	\$6,970
Cumulative Capital Cost to Achieve	(B)	\$3,420	\$5,173	\$6,970	\$6,970	\$6,970	\$6,970	\$3,550	\$1,797	\$0	\$0	\$0
Revenue Requirements Cost to Achieve		\$822	\$421	\$432	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		822	421	432	0	0	0	0	0	0	0	
Cumulative Revenue Requirements Cost to Achieve	(C)	\$822	\$1,244	\$1,676	\$1,676	\$1,676	\$853	\$432	\$0	\$0	\$0	\$10,055
Total O&M and Revenue Requirements Cost to Achieve		\$7,758	\$5,101	\$5,785	\$2,313	\$2,329	\$2,345	\$1,540	\$1,135	\$721	\$739	\$0

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II_03.xls; Apps CTA - O&M & RR

Applications - Savings and Cost to Achieve Detail

		Annual Savings	Annual Costs to Achieve	Lump Sum Cost to Achieve	
		\$ 206,600	\$ 113,320	\$ 19,150,000	H 13④
	Escalation Rates	100%	2.50%	2.50%	
Savings		2000	2001	2002	2003
Phase in Approach	D	50%	\$ 109,580	\$ 168,480	\$ 230,255
Savings Amount - O&M	\$	\$	\$	\$	\$
Savings Amount - Capital	0%	0%	0%	0%	0%
Annual Costs to Achieve					
Phase in Approach	F	50%	\$ 295,882	\$ 454,919	\$ 621,723
Annual Costs - O&M	\$	\$	\$	\$	\$
Annual Costs - Capital	0%	0%	0%	0%	0%
One Time Costs to Achieve					
Phase in Approach	E	50%	\$ 6,639,425	\$ 3,402,705	\$ 3,487,773
One Time Cost - O&M	\$	\$	\$	\$	\$
One Time Cost - Capital	34%	34%	34%	34%	34%

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Plan Check Estimate

Application Systems - Consolidation Assumptions

Customer Support:	System Name	Annual Costs To Achieve (000)			One Time Costs To Achieve (000)		
		Eliminated (A-L)	Maintenance/License Fees	Current Expense for Surviving Sys	New Maintenance Fees	Incremental Pardon	Convert Data
Billing	Clipper	\$100	\$100	\$100	\$100	25%	
Customer Information	CIS	\$100	\$100	\$100	\$100	25%	
CTI	CIS	\$100	\$100	\$100	\$100	25%	
Customer Accounting	CIS	\$100	\$100	\$100	\$100	25%	
Miller Reading - Marketing	CIS	\$100	\$100	\$100	\$100	25%	
Supply Chain:	ENRON	\$100	\$100	\$100	\$100	25%	
Purchasing	MMAPPS	\$100	\$100	\$100	\$100	25%	
Accounts Payable	MMAPPS	\$100	\$100	\$100	\$100	25%	
Human Resource Management:							
Time Entry	GEAC	\$100	\$100	\$100	\$100	25%	
Contract Interpretation	GEAC	\$100	\$100	\$100	\$100	25%	
Payroll	GEAC	\$100	\$100	\$100	\$100	25%	
Personnel	GEAC	\$100	\$100	\$100	\$100	25%	
Pension & Benefits	GEAC	\$100	\$100	\$100	\$100	25%	
Financial Management:							
GL	Oracle Financials	\$100	\$100	\$100	\$100	25%	
Budget	Oracle Financials	\$100	\$100	\$100	\$100	25%	
Project Costing	Oracle Financials	\$100	\$100	\$100	\$100	25%	
Fixed Assets	Oracle Financials	\$100	\$100	\$100	\$100	25%	
Work Replacement:							
Distribution - Gas	INDUS	\$100	\$100	\$100	\$100	25%	
Distribution - Electric	WMS	\$100	\$100	\$100	\$100	25%	
Customer Service	MAO	\$100	\$100	\$100	\$100	25%	
Dispatch	Synergen	\$100	\$100	\$100	\$100	25%	
Office Info System	Field Service	\$100	\$100	\$100	\$100	25%	
Appointment Scheduling	CRS	\$100	\$100	\$100	\$100	25%	
Plant Management							
Estimating							
Facilities Management	SIMPL	\$100	\$100	\$100	\$100	25%	
Energy Management							
System Control - Gas	EMS / SCADA, TLM, DSON	\$100	\$100	\$100	\$100	25%	
Other:							
Electric Outage		\$100	\$100	\$100	\$100	25%	
Shareholder System		\$100	\$100	\$100	\$100	25%	
GUI Front-End for CISs, TIMS, Rate, CISs, and RMS Rates	BETSI, RTS, CDV	\$100	\$100	\$100	\$100	25%	
Data Warehouse	DW Front-End	\$100	\$100	\$100	\$100	25%	
Total		\$200	\$2,349	\$663	0	5,500	1,500
						9,500	2,650
						19,150	

Notes:
Lab assumed to be approximately 50%
of total maintenance and licensing cost

Projects - Savings (In \$000)

Revenue Requirements Rates (by year) 24.0% 24.0% 24.0% 24.0% 24.0% 24.0% 0.0% 0.0% 0.0% 0.0% 0.0%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings	15⑦	\$315	\$323	\$10,463	\$18,902	\$2,611	\$357	\$366	\$375	\$384	\$394	\$34,489
	315	323	10,463	18,902	2,611	357	366	375	384	394	394	
Cumulative Capital Savings	\$315	\$638	\$11,101	\$30,004	\$32,614	\$32,971	\$33,337	\$33,711	\$34,095	\$34,489	\$34,489	
Revenue Requirements Savings	\$76	\$78	\$2,516	\$4,545	\$628	\$86	\$88	\$90	\$92	\$95	\$95	\$0
	76	78	2,516	4,545	628	86	88	90	92	92	92	0
Cumulative Revenue Requirements Savings	⑦	\$76	\$2,669	\$7,214	\$7,842	\$7,928	\$7,940	\$7,952	\$5,529	\$1,078	\$0	\$48,381
Total O&M and Revenue Requirements Savings	\$76	\$153	\$2,669	\$7,214	\$7,842	\$7,928	\$7,940	\$7,952	\$5,529	\$1,078	\$0	\$48,381

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IT Development Projects

Category	1998	Savings Opportunities			Annual Savings \$300,000									
		Clipper	Crimson	Combined										
Miscellaneous Other Expenses	\$589,680	\$300,000	\$889,680	Percent of lower Rte C1/rte D. Jr-11.07										
Escalation Rates (by year)		2.50%	2.50%	2.50%										
Partial Year Savings	100%	Pct Capital	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
(1) Miscellaneous Other Expenses		\$315,188	\$323,087	\$331,144	\$339,422	\$347,908	\$356,005	\$365,521	\$374,659	\$384,025	\$393,626	\$30	\$ 3,531,166	
(2) Likely Future Projects														
Replacement/Major Upgrade for CIS	\$ 15,000,000	H25.①	100%	\$ 8,076,680	\$ 8,278,567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,355,276	
Project Beginning Year	2001	Start of fiscal year												
Years to Complete	2	2003		100%	\$ 8,262,563	\$ 2,692,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,118,789	
Implementation/Major Upgrade for Financials	\$ 5,000,000	H25.②	100%	\$ 1,600,000	\$ 1,600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Project Beginning Year	2000	Start of fiscal year												
Years to Complete	2	2002		100%	\$ 1,313,281	\$ 1,346,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,659,395	
Implementation of Work Management	\$ 2,500,000	H25.③	100%	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Project Cost (\$1998)														
Project Beginning Year	2000	Start of fiscal year												
Years to Complete	2	2002		100%	\$ 1,000,000	\$ 2,207,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,207,826	
Replacement/Upgrade to Energy Sourcing	\$ 2,000,000	H25.④	100%	\$ 1,000,000	\$ 2,153,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Project Beginning Year	2002													
Years to Complete	1	2003		100%	\$ 1,000,000	\$ 2,202,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252,816	
Implementation of Troubleshoot	\$ 2,000,000	H25.⑤	100%	\$ 1,000,000	\$ 2,153,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Project Beginning Year	2001													
Years to Complete	1	2003		100%	\$ 1,000,000	\$ 2,202,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252,816	
Implementation of A/R/TM	\$ 2,000,000	H25.⑥	100%	\$ 1,000,000	\$ 2,153,781	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Project Beginning Year	2003													
Years to Complete	1	2004		100%	\$ 1,000,000	\$ 2,202,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,252,816	
Total Annual Savings														
Total O&M Savings	\$ 4,255,031	\$ 1,439,166	\$ 10,817,386	\$ 2,602,239	\$ 347,898	\$ 356,606	\$ 365,521	\$ 374,659	\$ 384,025	\$ 393,626	\$ -	\$ 34,488,849		
Total Capital Savings	\$ 4,255,031	\$ 1,439,166	\$ 10,817,386	\$ 2,602,239	\$ 347,898	\$ 356,606	\$ 365,521	\$ 374,659	\$ 384,025	\$ 393,626	\$ -	\$ 34,488,849		
Capital Savings for Revenue Requirements Calculation	\$ 315,188	\$ 323,067	\$ 10,463,108	\$ 18,902,325	\$ 2,610,724	\$ 356,606	\$ 365,521	\$ 374,659	\$ 384,025	\$ 393,626	\$ -	\$ 34,488,849		

NOTES:

- (1) Escalated annually
(2) Likely future project savings for specific systems are based on avoiding implementation of one system due to the merger

© 2003 Xts, Projects - Savings

Telecommunications • Savings (in \$000)

	Revenue Requirements Rates (by year)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Savings	H/8(F)	\$170	\$174	\$178	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$0	\$1,902
Capital Savings		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Capital Savings		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirements Savings		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Savings	(f)	\$170	\$174	\$178	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$0	\$1,902

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Telecommunications - Costs to Achieve (In \$000)

	Revenue Requirements Rates (by year)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Revenue Requirements Rates (by year)	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%
Escalation Rates	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
O&M Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Capital Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirements Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cumulative Revenue Requirements Costs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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Telecom Savings Detail

Escalation Rates	• C • ONLY.										Total
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
TELECOM SERVICES SAVINGS											
Annual Long Distance Savings	\$ 6,309	\$ 6,466	\$ 6,628	\$ 6,794	\$ 6,964	\$ 7,138	\$ 7,316	\$ 7,499	\$ 7,687	\$ 7,879	\$ 8,076
Annual Pager Savings	\$ 163,425	\$ 187,511	\$ 171,698	\$ 175,991	\$ 180,391	\$ 184,900	\$ 189,523	\$ 194,281	\$ 199,118	\$ 204,095	\$ 209,198
Annual Cellular Phone Savings	\$ 169,734	\$ 173,977	\$ 178,326	\$ 182,785	\$ 187,354	\$ 192,038	\$ 196,839	\$ 201,760	\$ 206,804	\$ 211,974	\$ 1,901,592
OTHER											
Phase In Approach	50%	80%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cumulative reductions in telecom users	\$ 148	\$ 237	\$ 286	\$ 296	\$ 296	\$ 296	\$ 296	\$ 296	\$ 296	\$ 296	\$ 296
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Other Savings	O&M	O&M	O&M	O&M	O&M	O&M	O&M	O&M	O&M	O&M	O&M
Subtotal - O&M	\$ 169,734	\$ 173,977	\$ 178,326	\$ 182,785	\$ 187,354	\$ 192,038	\$ 196,839	\$ 201,760	\$ 206,804	\$ 211,974	\$ 1,901,592
Subtotal - Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital	Capital
TOTAL TELECOM SAVINGS											
Partial Year Savings	100.00%										

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TELECOMMUNICATIONS WORKSHEET

Company Name		1997 Count		1997 Cost		Vendor		1998 Count		Usage Sprint		1998 Budget		Weighted avg. Cost per Page		Savings		Rationale	
Clipper	NCI	50	\$98.02	\$ 4,901.46	⑥ Multiple Vendors			50	④ ⑦	\$100.47	\$ 5,024	\$ 28.57	\$ 8,005.66						
Crimson		1	\$0.00	\$ 0.00	Pagenet			1000	1	\$25.00	\$ 25,000	16 ⑦							
		2	\$0.00	\$ 0.00				1001	1	\$24.99	\$ 25,000								(wdl average)

Company Name		1997 Count		1997 Cost		Vendor		1998 Count		Phones		1998 Cost		Weighted avg. Cost per Phone		Savings		Rationale	
Clipper		750	\$720.01	\$ 540,011.90	⑦ Bell Atlantic Cell Charg			750	④ ⑦	\$738.02	\$ 553,511								
	Bell Atlantic	100	\$1,134.05	\$ 113,405.00	⑦ Bell Atlantic Usage			100	④ ⑦	\$1,182.40	\$ 118,240								
	Navtel	850	\$788.72	\$ 633,416.00				850	④ ⑦	\$787.94	\$ 659,751	707.05	\$ 155,550	H ⑦					Number of phones required reduced proportionally with number of positions reduced
Crimson								250	1	\$32.00	\$ 108,000	36 ⑦							

Fiber Tie-in		One Time		Annual		Rationale		Details		
								Contract Length	\$/Month	Install Fee
								Monthly	\$0	\$0
								1 year	\$0	\$0
Installation Costs		\$	\$	\$	\$	Both companies moving to new locations assumed that new lines are sunk cost				
Annual charges		\$	\$	\$	\$					
Cell Center & Telecom System		\$	\$	\$	\$					
Switches/Hardware		\$	\$	\$	\$	Crimson replacing phone system				
VoiceMail		\$	\$	\$	\$	assumed that older can handle crimson for equivalent cost of avoided new crimson system				
Phones		\$	\$	\$	\$					
Total	\$	\$	\$	\$	\$					

Partial Year Savings

100%

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	Company 1	Company 2	
Input Year	Clipper 1998	Crimson 1999	

Partial Year Savings

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
escalation_rate	10.7% Model 1	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
escalation_rate_data_center	2.50% [Assumptions P-15]	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%

year_savings_begin 2000

labor_premerger_Clipper 2,230
 labor_premerger_Crimson 1,108
 labor_premerger_corp_Clipper 936
 labor_premerger_corp_Crimson 693
 labor_premerger_corporate 1,629
 labor_reductions 362
 labor_reductions_corporate 296
 labor_reductions_field 66
 labor_reductions_pct_corporate 18%

Revenue Requirements - 10 Year Model 1
 [Assumptions P-15]

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	24.04%	0.00%	0.00%	0.00%	0.00%

Blended Average Workstation Calc. For Clipper

	Count	Cost Per	Total Cost
Notebook	1	\$ 1	\$ 1
Desktop	1900	\$ 1,500	\$ 2,850,000
	1901		\$ 2,850,001

0% Percent of total that are laptops

Blended Average Workstation Calc. For Crimson

	Count	Cost Per	Total Cost
Notebook	1	\$ 1	\$ 1
Desktop	750	\$ 1,700	\$ 1,275,000
	751		\$ 1,275,001

Data Center Costs

Crimson 1998

Mainframe- Primary Processing Capacity	
Lease Payments	\$522,000
HW Maintenance Contracts	\$81,000
Software Maint & License	\$506,000
Total	\$1,109,000
 Servers - Primary Processing Capacity	
Lease Payments	\$378,000
HW Maintenance Contracts	\$184,000
Software Maint & License	\$272,000
Total	\$834,000
 Combined	
Disaster Recovery Program	\$59,000
Electronic Data Interchange	\$32,000
Microfiche	\$72,000
Internet Access	\$33,000
Off-site Storage	\$38,000
Lease Payments	\$900,000
HW Maintenance Contracts	\$265,000
Software Maint & License	\$778,000
Total	\$2,177,000

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Workstation - Average Costs

Hardware Specifications
Software Specifications

Crimson 1998
Compaq 350MHz Pent II, 64MB RAM 6.4GB HD& 17" monitor
Word Perfect, Lotus, Smarterm

Number of Employees	\$1,100
Number of Workstation Users	\$890 <i>(A)</i>
Number of Workstations	\$750 <i>(B)</i>
Number of Years to Replace	\$3 <i>(C)</i>
Annual Number of Replacements	\$250
Workstation Replacement Cost	\$1,575 <i>(D)</i>

Hardware Blended Average Replacement Cost

Average annual cost per workstation	\$525
Annual replacement cost per workstation user	\$442

Software Blended Average Replacement Cost

Average software cost per workstation	
- Licensing and Maintenance	
- Lotus	\$100
- WordPerfect	\$100
- Smarterm	\$79
-	
-	
-	
-	
-	
- Total	\$279 <i>(E)</i>

Annual software cost per workstation user

Maintenance Blended Average Cost

Average maintenance cost per workstation	\$0
Annual maintenance cost	\$0
Annual maintenance cost per workstation user	\$0

Application System - Consolidated Assumptions**Crimson 1998**

Customer Support			
Billing	CIS	\$57,000	(A)
Customer Information	CIS	n/a	
VRU	Interlynx	\$25,000	(B)
CTI			
Customer Accounting	CIS	n/a	
Meter Reading	CIS	n/a	
Marketing			
Supply Chain			
Material Management	Grace	\$9,900	(C)
Purchasing	Grace	\$9,900	(D)
Accounting Payable	Grace	\$9,900	(E)
Human Resources			
Time Entry	GEAC	\$62,000	(F)
Contract interpretation			
Payroll	GEAC	n/a	
Personnel	GEAC	n/a	
Pension & Benefits	GEAC	n/a	
Financial Management			
Budgets	custom		
General ledger	Grace	\$9,900	(G)
Work Management			
WMIS	custom	\$0	
Energy Management			
Other			
Shareholder System	SSI	\$25,000	(H)
Total		\$208,600	

COMEnergy

Information Technology Strategy Framework - July 1997

Application Overview

► Future State

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Application	Estimated Duration*	Cost Range*
<u>Customer Information System</u>	18 - 36 Months	\$12M - \$25M
<u>Financials</u> G/L, Budget, Fixed Assets, Payables, Purchasing, Inventory	12 - 36 Months	\$9M - \$38M
<u>Operational</u> WMIS CAMRIS Gas Supply	Requires detailed analysis	—
<u>Marketing</u> Data Warehouse Campaign Management Customer Intelligence	12 - 36 Months	\$1.5M - \$6M

* This information presented to provide order of magnitude estimates.

Telecommunication Costs

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Crimson 1998

Equipment Lease	\$159,000
Equipment Maintenance	\$216,000
Special Services (MAC)	\$154,000
Fixed Voice and Data charges	\$565,000
Local Carrier Usage	\$435,000
Long Distance Costs	\$69,000
Mobile Phone	\$108,000
Pagers	\$25,000
Total	\$1,731,000

*Swink charges - no reduction estimated
incl'd in above
①*

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	Deloitte/Touche - 1997	BECo IT Actuals - 1997	Variance
Mainframe			
Depreciation/Amortization			
Lease Payments	\$2,024,848	\$1,259,496	(\$765,352)
HW Maintenance Contracts	\$929,674	\$129,468	(\$800,206)
Software Maint & License	\$1,152,033	\$1,262,410	\$110,377
subtotal	\$4,106,555	\$2,651,374	(\$1,455,181)
Servers - Primary Processing Capacity			
Depreciation/Amortization			
Lease Payments	\$503,416	\$0	(\$503,416)
HW Maintenance Contracts	\$1,106,683	\$167,110	(\$939,573)
Software Maint. & License	\$457,599	\$582,394	\$124,795
subtotal	\$2,067,698	\$749,504	(\$1,318,194)
Combined			
Depreciation/Amortization			
Disaster Recovery Program	\$233,000	\$166,771	(\$66,229)
Lease Payments	\$2,528,265	\$1,259,496	(\$1,268,769)
HW Maintenance Contracts	\$2,036,357	\$296,578	(\$1,739,779)
Software Maint. & License	\$1,609,631	\$1,844,804	\$235,173
TOTAL	\$6,407,253	\$3,567,649	(\$2,839,604)
Labor Removal Calculations			
Payroll Taxes	\$870,455	870455	\$0
Payroll Tax Rate	8.8%	8.8	
Labor Cost	\$9,864,356	\$9,876,859	\$12,503
Total O & M	\$19,059,279	\$19,259,279	\$200,000
Labor % of O & M	51.8%	51.2%	

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December 1s and FINAL 1997

PROPERTY MANAGEMENT
Cost Center

Cost Area	Department/Team	Current				Year to Date				1997 Total Budget	12/17/97 Forecast	Forecasted Variance	Pct.
		Actual	Budget	Variance	Pct.	Actual	Budget	Variance	Pct.				
4H Client Services Group	188,317	184,134	4,183	2.27	2,065,626	2,231,969	(166,343)	-7.45	2,231,975	2,069,475	(162,500)	-7.28	
D4 Info Services Group	(246,897)	221,065	(467,962)	-212	(84,564)	501,059	(585,623)	-116,88	501,059	183,399	(317,660)	-63.40	
M3 Network Operations	1,351,449	650,713	700,736	107.69	8,648,180	8,117,525	530,655	6.54	8,117,533	8,187,533	70,000	0.86	
M4 IT Support Services	162,677	135,560	27,117	20.00	1,555,560	1,683,539	(127,979)	-7.60	1,683,547	1,535,002	(148,545)	-8.82	
M5 Business Applications	1,245,501	640,182	605,319	94.55	7,493,068	7,452,317	40,751	0.55	7,452,326	7,352,326	(100,000)	-1.34	
M6 Account Manager	12,765	12,697	68	0.54	134,144	143,294	(9,150)	-6.39	143,294	134,017	(9,277)	-6.47	
ITG TOTAL	2,713,812	1,844,351	869,461	47.14	19,812,014	20,129,703	(317,689)	-1.58	20,129,734	19,461,752	(667,982)	-3.32	
Capital	Actual	Authorized											
Oracle Perf. Tools	\$ 45,300	\$ 50,000											
DEC Alpha Expan.	\$ 107,797	\$ 110,000											
IT Upgrade Net. Sw.	\$ 352,947	\$ 350,000											
Mass Ave. Switch	\$ 62,197	\$ 55,000											
Oracle Financials	\$ 636,055	\$ -											
1997 TOTAL	\$ 1,204,296	\$ 565,000											
Capital Over/Lnder \$	\$ 639,296												
Total Capital Budgeted	\$ 600,000											
Remaining	\$ -											

Note: All figures include payroll taxes.

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INSTRUCTIONS:

Please provide the data requested below as specifically and completely as possible. If data requested is not applicable, please provide a complete explanation of why not. Also, please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

Person Providing Data:

Data Requested:	Date of Data Provided:	Notes / Comments:
28.1 Please provide the information requested in Tables 28.1 - 28.9. Please provide the most recent and detailed data possible.		See all attachments and Tables 28.1 - 28.9
28.2 Please describe current IS disaster recovery plans, including offsite data storage, contract terms, hot site location(s), backup facilities, etc., including annual fixed and variable costs of such arrangements.		See Attachment A - Annual costs: \$170,000 (Sungard), \$63,000 (Iron Mountain) (1)
28.3 Please provide a copy of your most recent Strategic Information Systems Plan.		See Attachment B - IT Strategy for BECo Business Future
28.4 Please provide copies of your previous year actual expenses, your most recent information systems budget and long-term forecast.		See Attachments C, D, and E.
28.5 For each significant class (administrative, developer, etc.) of workstation which you purchase and/or maintain, describe your workstation replacement program with respect to the following:		a. Information provided b. Applications are on network c. Purchase strategy, O&M d. PCs have 3 year warranty e. 2,530 PC assets, 1433 of them log into the network, # of laptops needs to be determined f. Approximate 2,250 based on number of cc:mail accounts. (6)
28.6 Please describe any anticipated change in the company's business which may call for alterations in the current or future IS infrastructure but which are not reflected in the current long-term forecast		See Attachments F and G.

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Business Applications Inventory - as of 10/23/1997

By Business Area

(costs in thousands)

Customer Billing

S

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Cost
CIRS	\$1,300 <i>(A)</i> • \$975		\$1,669	\$3,944	\$1,084		\$381	\$1,465
Month-End	\$365 <i>(B)</i> • \$325		\$65	\$755	\$142		\$213	\$355
Totals	\$1,665	\$1,300	\$1,734	\$4,699	\$1,226	\$0	\$594	\$1,820

CIRS

The CIRS application is approximately 70% Year 2000 compliant. We are currently performing a detailed analysis of the costs to make the rest of the system Year 2000 compliant. The backlog for CIRS is known and is being addressed. The last major upgrades/enhancements were the addition of the Accounts Receivable processing in 1994 and the Bimonthly Accounts processing in 1995. Much of the system is relatively new. These two projects provided Boston Edison with one integrated billing system for all of our residential, commercial/industrial, street lighting, outdoor lighting, CATV and special ledger accounts. The estimate for forecasted maintenance includes Open Access enhancements.

Year 2000 costs for CIRS were based on a high level analysis done in 1996. Standard industry methods based on lines of code were used to develop the estimate including a factor of \$1.95 per line of application code for repair. These costs may increase based on industry projections of shortages of skilled technical resources to perform the repair work.

Month End

The Month End system (also including BFAN) is not Year 2000 compliant. It is an assembler based system. Changes to the system are labor intensive. This system is considered stable because there have been very few change requests in the past few years. However, in order to become Year 2000 compliant and meet the expected changes required by Open Access, IT has begun planning a rewrite to address these issues.

* - indicates no Y2k problem or needs additional analysis

Customer Response

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Costs
*BETS	No	⑦ • \$85	\$98	\$183				\$0
*CRS	No	⑥ • \$52	\$52	\$104				\$0
Meter Reading	Needs Analysis	⑤ • \$130		\$130				\$0
- Enscan								
- ITRON								
- MV90								
Totals		\$0	\$267	\$150	\$417	\$0	\$0	\$0

BETS

New technology, client/server, PowerBuilder/Mitem View. The application is a GUI front-end for mainframe systems including; CIRS, TIMS, Rates, CUBS and IWMS.

CRS

New technology, client/server, PowerBuilder/Oracle. Automates the entry of selected field orders. Also does appointment scheduling. Integrates mainframe CIRS processes with the Resource Management System (Field Service).

Meter Reading

There is a combination of purchased and developed software supporting this business process. They are;

- MV-90
- Itron
- Enscan
- ServiceNet

Vendors are evaluating the MV-90, Itron and Enscan packages for Year 2000 compliance. ServiceNet is year 2000 ready.

* - indicates no Y2k problem or needs additional analysis

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Sales & Marketing

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Costs
*RTS	④ • \$85		\$65	\$150				\$0
*CDW	Requires Testing	No	④ • \$20	\$33	\$53			\$0
*CallBack	Requires Testing	⑤ • \$11	\$65	\$76				\$0
*DW Front End	No	⑤ • \$2	\$13	\$15				\$0
Totals	\$0	\$118	\$176	\$294	\$0	\$0	\$0	\$0

RTS

The Rates system is fully Year 2000 compliant. There will be work required to accommodate changes required by deregulation.

CDW

The Customer Data Warehouse uses client/server technology and an Oracle database. The system is Year 2000 compliant.

CallBack

New technology, client/server, PowerBuilder/Oracle. Provides Sales force automation. Also provides market segmentation functionality. It is Year 2000 compliant. There is no major backlog of work.

DW Front-end

The Data Warehouse front end is a new system. It is Year 2000 compliant. There is no major backlog of work.

* - indicates no Y2k problem or needs additional analysis

PART II
CONTINUED

Electric Delivery - Distribution

System	Y2k Issue	Current Backlog	Forecasted Maintenance backlog	Total (Y2K + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Costs
TIMS	\$200	\$0	\$0	\$200		\$2,309		\$3,000
*SCADATEMS	Requires Testing	\$949	\$65	\$1,014				\$0
*TLM	\$27	\$26	\$33					
*DSOM	No	\$65	\$0	\$65		\$27		\$492
Totals	\$227	\$1,040	\$98	\$1,365	\$465	\$2,309	\$718	\$3,492

TIMS

TIMS is not year 2000 compliant and it lacks major functionality required of a strategically viable Trouble Information System. Weak or missing functionality includes: analysis, call center feedback, dispatch, management reporting, major emergency scalability. Possible replacement vendors include; ABB, CAE and M3i.

SCADA/EMS

EMS is new technology that is year 2000 compliant as stated by the vendor. It's backlog reflects a maintenance work required to keep a complex real time system current and enhancement work to add capacity and implement automation features. The system was integrated by CAE. Testing is required to verify Year 2000 compliance.

TLM

TLM requires some enhancements to make it easier to use by the clients. Some modifications to the TLM file are being driven by changes in the way CAD Image divides the territory into grids.

DSOM

This future application is expected to be in service in 1998.

* - indicates no Y2k problem or needs additional analysis

PROBLEMS
CONTINUE

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Electric Delivery - Work Management

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Becu Labor	Total Ccost
IWMS	\$800	\$120	\$312	\$1,232		\$4,375	\$785	\$5,160
*MAO	Needs Analysis	\$42	\$208	\$250				\$0
Field Service	\$153	\$98	\$293	\$544	\$100		\$53	\$153
*Summit/Synergen	No	\$49	\$130	\$179				\$0
*SMPL	No							\$0
Totals	\$953	\$309	\$943	\$2,205	\$100	\$4,375	\$838	\$5,313

IWMS

Major Year 2000 Issue. Highly functional, significantly customized/enhanced application which meets current business needs. Backlog is for enhancements to accommodate business process improvements which are constant and ongoing. Requires substantial modifications to accommodate the massive Electric Delivery restructuring currently underway (clients can't wait for a new system, need it now). The Indus package is being evaluated. An integrated solution for IWMS and MMAPPs would result in anticipated implementation savings of approximately \$1,000k to \$2,000k from the separate IWMS and MMAPPs replacement costs due to reduction in interfaces to be developed, reduced internal and external labor costs and volume discounts for software purchases. The total includes estimated costs to provide minimal data conversion.

MAO

New technology, client/server, PowerBuilder/Oracle. Integrates mainframe IWMS/CIRS with PB/Oracle using IDMS-Server.

Field Service

Multiple platform system integration, computer-aided resource management, wireless two-way communication, vehicle-based and portable devices. Integrates legacy applications IWMS and CIRS, RS6000 application CUBS, DEC Alpha/Oracle global order database and client/server application CRS, Tandem machine Resource Management software and Norand Mobile Client devices supported by the vendor - Alliance Software.

Synergen Series

Vendor package for FBU maintenance work management replacing SUMMIT. Developed in Oracle Forms using Oracle Developer 2000 tool set. Will run on FBU server.

Simpl

Substation Information Maintenance and Planning System is a client server PowerBuilder/Oracle application. It has year 2000 functionality and no real backlog issues. This system meets business needs keeping track of substation equipment maintenance information.

REPORT # 3
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Corporate Services

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Cost
Financials (GL, Projects, Assets) MMAPPS	\$1,500	\$26	\$91	\$1,617		\$2,200	\$562	\$2,762
- Materials								
- AP								
- Purchasing								
Telephone System	\$165			\$165				
*Superstore	Needs Analysis							
Totals	\$3,165	\$338	\$3,911	\$7,414	\$0	\$8,101	\$1,695	\$9,796

Fixed Assets

The Fixed Assets System (Asset Management) has several drawbacks. It is not year 2000 compliant and will actually fail if not replaced by 12/31/98. Most of its code is Assembler which makes this application difficult (almost impossible) to maintain or change to meet business needs. Financial Reporting plans to replace this system over a 3-year span.

General Ledger

General Ledger is not year 2000 compliant. It was last updated in 1992. It currently does not meet business needs because it is difficult for the business community to use. It does, however, have good functionality and was recently changed/adapted to reflect the business units. It is a good candidate for replacement. There is some backlog but not significant. The Finance and Accounting Group has embarked on a replacement strategy.

Note: Replacement cost estimates for Financials are based on Peoplesoft net license costs of \$852k x estimated multiplier of 2.5 to project total installation costs.

* - Indicates no Y2k problem or needs additional analysis

PROGRESSIVE
CONSULTING

00244

Headquarters

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Total Cost:
Labor Distribution	\$156	(F) • \$16	\$20	\$192	\$46	\$36		\$120
*OASSIS	No	(A) • \$39	\$7					\$156
*EPS	Needs Analysis		\$52	\$52				\$0
*Contract Interpreter	Needs Analysis	(C) • \$8	\$21	\$29				\$0
*Tesseract	No	(D) • \$18	\$78	\$96				\$0
Pension	\$110	(E) • \$1	\$2	\$113	\$0			\$110
Totals	\$266	\$82	\$180	\$528	\$36	\$0	\$230	\$266

Labor Distribution

The Labor Distribution system has drawbacks on several levels. It is not year 2000 compliant. A significant amount of code is written in Assembler modules that are very old. This makes them harder to maintain and less flexible to modify in meeting our changing business environment and the year 2000 issue. The replacement of this system will provide a flexible, easier to maintain, year 2000 compliant, solution.

Oassis

The first phase of this application was implemented in 1996. It is a Client/Server application developed by Essence Systems, Inc.. This system is year 2000 compliant. When all phases of the project are completed, it will allow employees and managers to enter information directly. This reduces workflow and decentralizes input which frees Human Resource personnel to perform more value added functions.

EPS

The Executive Personnel System is a Client/Server application which provides a window to employee data on the desktop. Reports and extracts can be done against this information. There is no significant backlog.

* - indicates no Y2k problem or needs additional analysis

PROBLEMS &
CONCERNED

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Engineering Applications

System	Y2k Issue	Current Backlog	Forecasted Maintenance	Total (Y2k + backlog + forecast)	Rewrite or Repair	Replacement Cost	Beco Labor	Scal
*CAD-Image	Needs Additional Analysis			\$0				
*TLM	Needs Additional Analysis	\$465		\$465	\$465			
Total			\$465	\$465	\$0	\$0	\$0	

CAD-Image

The CAD-Image application provides GIS information about the Boston Edison service territory. The application is supported in house and consists basically of ESRI's ARCINFO as a GIS development tool, some in-house developed interfaces and an ORACLE database. High level analysis indicated that their is not a Year 2000 problem with CAD-Image. Additional analysis and testing is required to confirm this.

Transformer Load Management (TLM)

The TLM system provides power system connectivity information between transformers and service addresses. TLM data is critical to systems restoration efforts. The system is based on IDMS and COBOL technologies and does not appear to have a Year 2000 problem based on a high level analysis. Additional analysis and testing should be performed to confirm this. The \$465k reflects costs estimated to improve the accuracy of TLM data from a current 30% accuracy level to a targeted 90% accuracy level within one year from project approval. This number does not include IT costs, which are expected to be minimal.

* - indicates no Y2k problem or needs additional analysis

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00246

Author: Susan Cervassi at -Info-Services
Date: 12/17/98 3:20 PM
Priority: Normal
TO: William Dimoulas
Subject: Maintenance Costs for new Applications for 1999

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Bill:

Fees

The maintenance costs are as follows:

Fixed Assets: \$95,000 (A) → Financials.
Oracle G/L and Network DB Licenses: \$217,359 (B) → Split between WMS & Logistics
PassPort (INDUS): \$180,736 (C) → Restoration
M3I: \$365,290 (estimated at 20% of license fee; actual to follow) → Restoration
HRIS: \$217,000 (estimated, cost unknown until package is selected)

Susan

Mack
FTI
Bob

IBM Mainframe Lease (1997)

\$1,259,496

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Boston Edison - 1997 Telecommunications Costs

Long Distance (RCN) - \$101,580

Cellular (Bell Atlantic Mobile) - \$540,011 C
750 E

Pagers (Nextel, MCI)) ^{cell/Pager} \$113,405 B
Pager ⁻¹⁰⁰ F ^{\$} 4,901 A

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PROJECT HARBOR

Synergies Assessment

Privileged and Confidential - For Internal Use Only

SYNERGIES SUMMARY

Savings Area: Professional Services

Clipper's Position:

Annual professional services costs of \$7.26 million include \$451,000 in auditing, \$2.1 million in legal, and \$4.7 million in business management fees.

Crimson's Position:

Annual professional services costs of \$3.43 million include \$371,000 in auditing, \$2.1 million in legal, \$941,000 in business management.

Basis for Calculation:

Savings for audit fees are based upon estimated 30% reduction in the audit fee expense for the smaller company. Savings for business management are based on a 75% reduction of the smaller company costs. Legal services were reduced by 20% of the total merged company expense on the basis that duplicative activities can be eliminated, more work can be performed in-house, and external professional fees can be reduced due to increased purchasing power and internal expertise of the combined entity.

Key Assumptions:

- Purchasing economies result from increased size of the combined company (e.g. audit).
- Services are obtained on an ongoing basis at the current level.

Rationale for Savings:

The combined company will consolidate and reduce professional services activities through economies of scope and elimination of non-recurring duplicate services and increased utilization of a broader skill base. Audit cost savings are similar with additional audit services (e.g. bond insurance letters, pension plan audits, stock issuance) reduced as a result of duplication. Similar legal expenditures (regulatory and corporate) can be reduced due to redundancy and duplication.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 0
<input type="checkbox"/> O&M - Expense	\$ 22,568
<input type="checkbox"/> O&M - Revenue Requirements	\$ <u>0</u>
<input type="checkbox"/> O&M - Total	\$ 22,568

Professional Services

2000 O&M Savings (\$000)	\$1,820
2000 Capital Savings (\$000)	\$0

Percentage of Savings Capitalized	0.0%
Revenue Requirements Rate	20.2%
Inflation Rate	4.7%

Partial Year Savings	100%
----------------------	------

Annual Savings

Annual Savings Amount	\$1,820
O&M Savings	\$1,906

Capital Savings	\$0
Revenue Requirements Savings	\$0
Total O&M and Revenue Requirements Savings	\$1,906

Cumulative Capital Savings

Revenue Requirements Savings	\$0
Total O&M and Revenue Requirements Savings	\$1,906

Revenue Requirements Savings

Total O&M and Revenue Requirements Savings	\$1,906
--	---------

1998 Fees for Professional Services (000s)

Category	Clipper	Crimson	Combined	Savings Rationale	Savings
Audit	\$ 451	\$ 15	822	30% of smaller	111
Business Management	\$ 4,702	\$ 15	5,642	75% of smaller	705
Legal	\$ 2,107	\$ 15	4,222	20% of total	844
	7,260	3,427	10,687	Total Savings	\$ 1,661
Total 1998 Savings					
Years of Escalation					
Escalation rate					
Year 2000 Savings					

Assumptions:

Weighted average divestiture reduction based on total professional services.

Total professional services associated with divestiture as provided by Crimson.

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Clipper Professional Services

1998 (through
11/98)

		Annualized
ANDERSEN CONSULTING LLP	\$827,542.00	\$864 PROF
GOLDMAN SACHS & CO	\$782,245.10	\$816 PROF
CLARKE & COMPANY, INC.	\$695,106.10	\$725 PROF
SALLY & FITCH	\$631,029.78	\$658 PROF
WILLIAM MERCER INC	\$589,421.34	\$615 PROF
BRUDER, GENTILE & MARCO	\$529,634.55	\$553 PROF
LUSTIG, GLASER & WILSON	\$472,132.07	\$493 PROF
COOPERS & LYBR*DO NOT USE	\$432,649.00	\$451 PROF
MORGAN, BROWN & JOY, LL	\$420,348.28	\$439 PROF
CLARKE GOWARD ADVERTISI	\$309,689.87	\$323 PROF
DELOITTE & TOUCHE, LLP	\$287,293.00	\$300 PROF
DAWSON, GLENN E.	\$160,416.56	\$167 PROF
BINGHAM DANA & GOULD	\$91,335.14	\$95 PROF
GARGILL, SASSOON & RUDOL	\$83,793.92	\$87 PROF
KOPelman AND PAIGE, P.C	\$81,809.01	\$85 PROF
BADGER, DOLAN, PARKER &	\$80,945.90	\$84 PROF
BURNS & LEVINSON, LLP	\$69,764.78	\$73 PROF
LEBOEUF, LAMB, GREENE &	\$66,154.31	\$69 PROF
KIRKPATRICK & LOCKHART	\$222,960.70	\$233 PROF
MCDERMOTT, WILL & EMERY	\$122,394.56	\$128 PROF
	\$6,957,165.97	\$7,260
		\$1,926

Audit \$451
 Business Management \$4,702
 Legal \$2,107
 Total \$7,260 TRUE

\$451
 \$4,702
 \$2,107
 \$7,260 TRUE

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T4

Offices/Prestigious Services*

Firm Name	Service Provided	Non-Generation Expense	Non-Generation Expenses
Commonwealth Electric	Public Accounting	\$ 16,100	\$ 17,910
Arthur Andersen	Legal	\$ 4,654	\$ 265,207
Crowe & King	Legal	\$ 2,317	\$ -
Hughes, Deason & Flaherty	Legal	\$ 26,999	\$ 11,840
Rich May, Deason & Flaherty	Legal	\$ -	\$ 49,224
GCA Environmental Inc	Consulting	\$ -	\$ 65,585
Witt	Telecommunications Contract	\$ 2,000	\$ 700
Geoffrey Proctor & Foster	Legal	\$ 2,000	\$ 4,877
Kramer, Heintz PC	Legal	\$ 11,000	\$ 11,190
Lehman, Lantz, Greene	Legal	\$ 5,564	\$ 26,859
Morley, Gash	Legal	\$ 115,000	\$ 45,000
Petrow & Dodge	Legal	\$ 954	\$ 36,150
O'Conor, Burke	Banking	\$ 70,932	\$ 1
Crainbridge Electric Total	Less IPB direction fees	\$ 200,942	\$ 211,633
	(Less down*)	\$ 163,320	\$ 414,227
(Weighted average direction fees based on total services)		8,051	
	Less consulting fees		
	Total direction fees	\$ 163,250	\$ 211,625
			\$ 414,227
Commonwealth Electric	Non-Professional Total	\$ 163,252	\$ 17,917
Arthur Andersen	Public Accounting	\$ 33,000	\$ 17
Crowe & King	Consulting	\$ 3,000	\$ 6,000
Hughes, Deason & Flaherty	Legal	\$ 100	\$ -
GCA Environmental Inc	Consulting	\$ 24,711	\$ -
Witt		\$ -	\$ 1,000
Geoffrey Proctor & Foster	Legal	\$ 1,000	\$ -
Kramer, Heintz PC	Legal	\$ 100	\$ -
Lehman, Lantz, Greene	Legal	\$ 100	\$ -
Morley, Gash	Legal	\$ 1,500	\$ -
Petrow & Dodge	Legal	\$ 5,284	\$ 4319
Rich May, Deason & Flaherty	Legal	\$ 15,000	\$ 16,194
MacCurdy	Management Consulting	\$ 10,000	\$ 60,262
Hughes, Deason & Flaherty	Banking	\$ 10,000	\$ 62,619
National	Public Accounting	\$ 12,000	\$ 11,222
Hughes, Deason & Flaherty	Banking	\$ 12,000	\$ 12,000
Geoffrey Proctor & Foster	Legal	\$ 4,000	\$ 4,000
Kramer, Heintz PC	Legal	\$ 100	\$ 100
Lehman, Lantz, Greene	Legal	\$ 18,229	\$ 17,987
Morley, Gash	Legal	\$ 50,000	\$ 45,549
Petrow & Dodge	Consulting	\$ 5,000	\$ 20,000
O'Conor, Burke	Banking	\$ 124,931	\$ 410,682
Commonwealth Electric Total	Less IPB direction fees	\$ 293,622	\$ 1,790,779
	(Less down*)	\$ 638,438	\$ 604,459
	Less consulting fees	\$ (7,467)	\$ 432,345
	Total direction fees	\$ 20,000	\$ 19,000
			\$ 178,917
Crainbridge Electric Total	Adjusted Total	\$ 441,046	\$ 1,357,248
			\$ 604,459

Firm Name	Service Provided	Non-Generation Expense	Non-Generation Expenses
Commonwealth Electric	Public Accounting	\$ 10,000	\$ 17,910
Arthur Andersen	Legal	\$ 4,654	\$ 265,207
Crowe & King	Legal	\$ 2,317	\$ -
Hughes, Deason & Flaherty	Legal	\$ 26,999	\$ 11,840
Rich May, Deason & Flaherty	Legal	\$ -	\$ 49,224
GCA Environmental Inc	Consulting	\$ 2,000	\$ 700
Witt	Telecommunications Contract	\$ 2,000	\$ 4,877
Geoffrey Proctor & Foster	Legal	\$ 11,000	\$ 2,163
Kramer, Heintz PC	Legal	\$ 5,564	\$ 26,859
Lehman, Lantz, Greene	Legal	\$ 115,000	\$ 45,000
Morley, Gash	Legal	\$ 954	\$ 36,150
Petrow & Dodge	Legal	\$ 70,932	\$ 1
Bancorp	Banking	\$ 1,000	\$ -
Crainbridge Electric Total	Less IPB direction fees	\$ 200,942	\$ 211,633
	(Less down*)	\$ 163,320	\$ 414,227
	Less consulting fees		
	Total direction fees	\$ 163,250	\$ 211,625
			\$ 414,227
Commonwealth Electric	Non-Professional Total	\$ 163,252	\$ 17,917
Arthur Andersen	Public Accounting	\$ 33,000	\$ 17
Crowe & King	Consulting	\$ 3,000	\$ 6,000
Hughes, Deason & Flaherty	Legal	\$ 100	\$ -
Rich May, Deason & Flaherty	Banking	\$ 100	\$ -
GCA Environmental Inc	Consulting	\$ 24,711	\$ -
Witt		\$ -	\$ 1,000
Geoffrey Proctor & Foster	Legal	\$ 1,000	\$ -
Kramer, Heintz PC	Legal	\$ 100	\$ -
Lehman, Lantz, Greene	Legal	\$ 100	\$ -
Morley, Gash	Legal	\$ 1,500	\$ -
Petrow & Dodge	Legal	\$ 5,284	\$ 4319
Rich May, Deason & Flaherty	Legal	\$ 15,000	\$ 16,194
MacCurdy	Management Consulting	\$ 10,000	\$ 60,262
Hughes, Deason & Flaherty	Banking	\$ 10,000	\$ 62,619
National	Public Accounting	\$ 12,000	\$ 11,222
Hughes, Deason & Flaherty	Banking	\$ 12,000	\$ 12,000
Geoffrey Proctor & Foster	Legal	\$ 4,000	\$ 4,000
Kramer, Heintz PC	Legal	\$ 100	\$ 100
Lehman, Lantz, Greene	Legal	\$ 18,229	\$ 17,987
Morley, Gash	Legal	\$ 50,000	\$ 45,549
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			\$ 178,917
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GCA Environmental Inc	Consulting	\$ 2,000	\$ 700
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Kramer, Heintz PC	Legal	\$ 5,564	\$ 26,859
Lehman, Lantz, Greene	Legal	\$ 115,000	\$ 45,000
Morley, Gash	Legal	\$ 954	\$ 36,150
Petrow & Dodge	Legal	\$ 70,932	\$ 1
Bancorp	Banking	\$ 1,000	\$ -
Crainbridge Electric Total	Less IPB direction fees	\$ 200,942	\$ 211,633
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GCA Environmental Inc	Consulting	\$ 2,000	\$ 700
Witt	Telecommunications Contract	\$ 2,000	\$ 4,877
Geoffrey Proctor & Foster	Legal	\$ 11,000	\$ 2,163
Kramer, Heintz PC	Legal	\$ 5,564	\$ 26,859
Lehman, Lantz, Greene	Legal	\$ 115,000	\$ 45,000
Morley, Gash	Legal	\$ 954	\$ 36,150
Petrow & Dodge	Legal	\$ 70,932	\$ 1
Bancorp	Banking	\$ 1,000	\$ -
Crainbridge Electric Total	Less IPB direction fees	\$ 200,942	\$ 211,633
	(Less down*)	\$ 163,320	\$ 414,227
	Less consulting fees		
	Total direction fees	\$ 163,250	\$ 211,625
			\$ 414,227

Source: Internal Data

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5.11 Prepared by Kevin Harnett [x 4393]

Please see attached. The original spreadsheet is first adjusted to include some legal fees that were omitted to include adjusted totals for each company (except COM/Gas). Then the legal fees associated with divestiture were deducted from the adjusted total to show legal fees excluding costs of divestiture.

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COMMONWEALTH ELECTRIC COMPANY
SPECIAL SERVICES PAYMENTS
FOR THE YEARS 1995 THROUGH 1998

CONTRACTOR				WORK DESCRIPTION	
	1995	1996	1997	1998(A)	
ARTHUR ANDERSON	\$9,900	\$33,000	\$33,000	\$35,000	PUBLIC ACCOUNTING
CONSULTIVE RESOURCES				15,000	CONSULTANT
CROWELL & MORING	66,029	33,188	2,961	24,000	LEGAL
HANIFY & KING	2,006	6,973	2,876	2,000	LEGAL
KEEGAN WERLIN & PABIAN	0	0	738,957	100,000	LEGAL
PALMER & DODGE	480,134	39,864	4,319	5,268	LEGAL
RICH MAY BILODEAU & FLAHERTY	324,446	183,862	210,194	0	LEGAL
MANPOWER	35,187	40,887	68,770	15,000	TEMPORARY SERVICES
MINER & MINER	0	4,192	40,735	0	CONSULTANT
GZA GEoenvironmental INC	1,265	199	0	0	CONSULTANT
WIL-TEL	\$0,189	62,618	60,282	10,000	TELECOMMUNICATIONS CONTRACTOR
CREATIVE MEDIA GROUP	0	0	0	75,000	PRINTING SERVICES
REYNOLDS DEWALT PRINTING	0	0	0	50,000	PRINTING SERVICES
BAKER MFG CO PRINTERS	0	0	11,522	12,000	PRINTING SERVICES
BRITTANY DYING & PRINTING	0	0	4,962	4,962	PRINTING SERVICES
GOODWIN PROCTER & HOAR	8,301	19,038	599	4,000	LEGAL
KEARNS & RUBIN PC	101,048	127,897	125,986	100,000	LEGAL
LEBOEUF LAMB GREENE	0	0	0	105,000	LEGAL
MORLEY CASKIN	183,522	45,385	45,459	50,000	LEGAL
CARL D COOPERIDER	25,272	20,000	7,300	8,000	CONSULTANT
TOTALS	\$1,285,661	\$600,450	\$1,357,902	\$15,258	
ADDITIONAL FEES NOT INCLUDED ABOVE:					
GOLDMAN SACHS & CO.					
LEBOEUF LAMB GREENE					
ADJUSTED TOTALS	1,215,661	\$600,450	\$1,357,902	\$15,258	
LESS COSTS OF DIVESTITURE					
LEGAL FEES EXCLUDING COSTS OF DIVESTITURE					
A 1998 figures are at month actual plus 4 month estimated dollars	\$1,285,661	\$600,450	\$1,357,902	\$141,966	
	\$413,385	(417,484)			
	\$416,682	(5246,831)			
	\$16,229	\$24,185			
	\$1,750,723	\$193,822			

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CANAL ELECTRIC COMPANY
SPECIAL SERVICES PAYMENTS
FOR THE YEARS 1985 THROUGH 1990

CONTRACTOR	1985	1986	1987	1988(A)	WORK DESCRIPTION
ARTHUR ANDERSON		\$5,100	\$19,500	\$25,000	PUBLIC ACCOUNTING
CROWELL & MORING	124,363	40,821	95,749	25,000	LEGAL
HANIFY & KING	22,728	8,001	0	0	LEGAL
RICH MAY BLODEAU & FLAHERTY	104,756	61,444	0	0	LEGAL
SUPPLY PLANNING ASSOCIATES	38,955	50,865	22,320	30,000	CONSULTANT
MANPOWER	0	0	0	10,000	TEMPORARY SERVICES
WIL-TEL	3,547	6,350	4,627	1,000	TELECOMMUNICATIONS CONTRACTOR
GOODWIN PROCTER & HOAR	187,021	31,634	0	0,000	LEGAL
KEARNS & RUBIN PC	3,529	2,448	1,160	1,000	LEGAL
LEBOEUF LAMB GREENE	0	0	0	105,000	LEGAL
MORLEY CASKIN	13,422	11,204	0	3,000	LEGAL
TOTALS	\$498,321	\$212,842	\$143,356	\$200,000	
ADDITIONAL FEES NOT INCLUDED ABOVE:					
PALMER & DODGE				\$2,357	
KEEGAN WEIRLIN & PABIAN				\$484	\$48,512
GOLDMAN SACHS & CO.					\$174,998
LEBOEUF LAMB GREENE					\$27,336
ADJUSTED TOTALS					\$243,203
LESS COSTS OF DIVESTITURE			\$13,425	\$449,785	
LEGAL FEES EXCLUDING COSTS OF DIVESTITURE	\$498,321	\$212,842	\$110,645	\$223,438	

A 1990 figures are 8 month actual plus 4 month estimated dollars

CAMBRIDGE ELECTRIC LIGHT COMPANY
SPECIAL SERVICES PAYMENTS
FOR THE YEARS 1995 THROUGH 1998

CONTRACTOR	1995	1996	1997	1998(A)	WORK DESCRIPTION
ARTHUR ANDERSON		\$7,900	\$16,100	\$16,000	PUBLIC ACCOUNTING
CROWELL & MORING	170,500	265,097	4,654	0	LEGAL
HANIFFY & KING	0	0	11,880	2,312	LEGAL
KEEGAN WERLIN & PABIAN	0	0	116,800	0	LEGAL
RICH MAY BILODEAU & FLAHERTY	131,630	63,955	49,224	0	LEGAL
GZA GEOENVIRONMENTAL INC	0	0	760	2,000	CONSULTANT
WIL-TEL	4,978	5,573	4,927	2,000	TELECOMMUNICATIONS CONTRACTOR
GOODWIN PROCTER & HOAR	6,290	2,163	0	11,000	LEGAL
KEARNS & RUBIN PC	5,282	29,855	5,190	0	LEGAL
LEBOEUF LAMB GREENE	0	0	0	50,000	LEGAL
MORELLEY CASKIN	44,406	36,130	0	115,000	LEGAL
TOTALS	\$204,898	\$414,373	\$211,635	\$200,312	

ADDITIONAL FEES NOT INCLUDED ABOVE:

PALMER & DOOGIE	\$954
KEEGAN WERLIN & PABIAN	\$24,999
GOLDMAN SACHS & CO.	\$70,833
LEBOEUF LAMB GREENE	\$2,564
ADJUSTED TOTALS	\$200,662

LESS COSTS OF DIVESTITURE

LEGAL FEES EXCLUDING COSTS OF DIVESTITURE	\$204,898	\$414,373	\$211,635	\$150,312
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A 1998 figure is a 8 month actual plus 4 month estimated dollars

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HOPKINTON LNG CORP
SPECIAL SERVICES PAYMENTS
FOR THE YEARS 1995 THROUGH 1998

CONTRACTOR	1995	1996	1997	1998(A)	WORK DESCRIPTION
ARTHUR ANDERSON					
CROWELL & MORING	19,243	67,911	\$5,400	\$7,000	PUBLIC ACCOUNTING
KEEGAN WERLIN & PABIAN	0	0	31,973	32,000	LEGAL
RICH MAY BILODEAU & FLAHERTY	0	0	2,776	0	LEGAL
			10,871	0	LEGAL
TOTALS	\$18,243	\$87,911	\$51,020	\$53,000	

CA 1998 figures are 8 month actual plus 4 month estimated dollars

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PROPRIETARY &
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COMMONWEALTH GAS COMPANY
SPECIAL SERVICES PAYMENTS
FOR THE YEARS 1995 THROUGH 1998

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CONTRACTOR	1995				WORK DESCRIPTION
	1996	1997	1998(A)	1998(B)	
ARTHUR ANDERSON	\$7,900	\$24,000	\$30,000	\$30,000	PUBLIC ACCOUNTING
CROWELL & MORING	141,595	79,820	500,000	500,000	LEGAL (B)
E.J. CURTIS ASSOCIATES	111,285	120,292	120,977	125,000	CONSULTANT
SUPPLY PLANNING ASSOCIATES	14,567	20,747	12,619	10,000	CONSULTANT
HANIFY & KING	3,032	6,778	72,166	100,000	LEGAL (B)
KEEGAN WERLIN & PABIAN	0	0	117,804	400,000	LEGAL (B)
PALMER & DOODGE	4,523	48,758	2,007	10,000	LEGAL
PEABODY & ARNOLD LLP	0	0	0	2,000	LEGAL
OFFICE TEAM	0	0	0	0	
OFFICE STAFFING	74,805	13,750	74,434	35,000	TEMPORARY SERVICES
MANPOWER	0	270,002	6,698	45,000	TEMPORARY SERVICES
ACCOUNTTEMPS	0	0	0	40,000	TEMPORARY SERVICES
SUBURBN STAFFING	2,708	0	12,616	25,000	TEMPORARY SERVICES
RICHARD BILODEAU & FLAHERTY	75,356	42,936	8,227	65,000	TEMPORARY SERVICES
BROWN WILLIAMS SCARBROUGH	2,641	1,267	6,167	3,000	LEGAL
PENDULUM ENERGY LLC	38,453	28,363	31,697	42,000	LEGAL
SCHIFF HARDIN & WaITE	230,274	173,752	126,690	150,000	LEGAL
WINTHROP STIMSON PUTNAM & RE	0	6,294	21,946	115,000	LEGAL (B)
INTELLIGENT INFRASTRUCTURE	605,835	860,723	169,491	13,000	CONSULTANT CARRIS
PARISELLA VINCILLI ASSOCIATES	0	0	0	715,000	CONSULTANT
HINTER A WINER	0	0	0	35,000	CONSULTANT
GZA GEOENVIRONMENTAL INC	1,487	29,567	159,435	15,000	CONSULTANT
WIL-TEL	33,148	81,507	56,700	6,000	TELECOMMUNICATIONS CONTRACTOR
BAKER MFG CO PRINTERS	0	0	26,327	20,000	PRINTING SERVICES
GOODWIN PROCTER & HOAR	16,843	39,466	31,542	47,000	LEGAL
KEARNS & RUBIN PC	76,301	135,860	68,740	0	LEGAL
LEBOEUF LAMB GREENE	14,349	13,056	0	0	LEGAL
MORELY GASKIN	2,598	1,308	1,142	8,000	LEGAL
MCDERMOTT WILL & EMERY	0	0	0	42,971	LEGAL (B)
HAGLER BAILEY	10,500	113,995	45,000	0	CONSULTANT
TOTALS	\$1,339,503	\$2,923,440	\$1,270,265	\$2,657,874	

A 1998 figures are 4 month actual/pile 4 month estimated/dollars
B Legal fees include some cost for other System companies

professional
service

COMMONWEALTH ENERGY SYSTEM
ARTHUR ANDERSEN LLP
AUDIT FEES
1995 (Note 2)

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	CES	CEL	CANAL	CE	CG	CESV	CE	STEAM	TOTALS
QUARTERLY (1)									
YEAR END	24,000								
BENEFIT PLANS:									
Employee Savings	24,500	36,000	47,000	69,000	58,000	34,000	14,000	3,500	9,000
Employee Pension									
Long-Term Disability									
Life Insurance									
Union VEBA									
Non-Union VEBA									
Sub Total (Benefits)									
TAXES: (3)									
TOTALS	\$81,500	\$36,000	\$47,000	\$69,000	\$58,000	\$34,000	\$14,000	\$3,500	\$9,000
									\$352,000

NOTES:

(1) Work done on Canal,
CEL, CE, CG & Consolidated

(2) Engagement hours not
available

(3) Cost for Tax services not
available

PROFESSIONAL
COSTS

COMMONWEALTH ENERGY SYSTEM
ARTHUR ANDERSEN LLP
AUDIT FEES
1996

	SUPPLIES	CELS	CANAL	CE	CG	CESV	LNG	STEAM	REACT	TOTAL
	\$	Hrs.	\$	Hrs.	\$	Hrs.	\$	Hrs.	\$	\$
QUARTERLY (1)	24,000	180								
YEAR END	24,500	260	36,000	320	47,000	330	69,000	580	34,000	
BENEFIT PLANS:										
Employee Savings	6,000	80								
Employee Pension	6,000	80								
Long-Term Disability	5,000	50								
Life Insurance	5,000	50								
Union VEBA	5,500	70								
Non-Union VEBA	5,500	70								
Sub Total (Benefits)	\$33,000	400								
TAXES: (2)										
Consolidated Federal	11,500									
Research Revenue Procedures	1,500									
Sub Total (Taxes)	\$13,000									
OTHER:										
Stranded Investment Analysis & Disclosure										
TOTALS	\$94,500	840	\$39,000	320	\$47,000	330	\$72,000	580	\$34,000	\$3075

NOTES:
(1) Work done on Canal, CEL,
CE, CG & Consolidated)

(2) Hours are not provided for Tax services.

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PROFESSIONAL
CONSULTANT

**COMM. HEALTH ENERGY SYSTEM
ARTHUR ANDERSEN LLP
AUDIT FEES
1997**

		CEES	CES	CEA	CANAL	CE	CG	CEV	CLNG	STEAM	REALTY	TOTAL
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
		Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.	Hrs.
QUARTERLY (1)												
24,000	180											
YEAR END	24,500	260	16,100	36,000	320	11,100	47,000	330	21,000	69,000	580	24,000
BENEFIT PLANS:												
Employee Savings	6,000	80										
Employee Pension	6,000	80										
Long-Term Disability	5,000	50										
Life Insurance	5,000	50										
Union VEBA	5,500	70										
Non-Union VEBA	5,500	70										
Sub Total (Benefits)												
	\$33,000	400										
TAXES: (2)												
Progressive, State, & M&P	10,400											
Progressive & Research	7,000											
Consolidated & Research	12,300											
Subtotal (Taxes)												
	\$29,700											
OTHER:												
Transaction Flow Anal. &												
Computer Risk Mgmt	17,000	218										
TOTALS	\$128,200	1058	\$36,000	320	\$47,000	330	\$69,000	580	\$58,000	500	\$34,000	290

NOTES:

- 1) Work done on Canal, CE, CG & Consolidated
- 2) Hours are not provided for Tax services.

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15 300,700

COMMONWEALTH ENERGY SYSTEM
ARTHUR ANDERSEN LLP
AUDIT FEES
1998 (Note 2)

	CELS	CANAL	CE	CECSV	ENG	INSTANT	HEALTH	TAXES	TOTALS
QUARTERLY (1)	24,500	/ 39,000	72,000	60,000	35,000	14,500	4,000	9,000	12,000
YEAR END	24,500	47,000							
BENEFIT PLANS:									
Employee Savings	6,000								
Employee Pension	6,000								
Long-Term Disability	5,000								
Life Insurance	5,000								
Union VEBA	5,500								
Non-Union VEBA	5,500								
Sub Total (Benefits)	\$33,000								
TAXES:									
MATEP & Electric Asset Sale	10,050								
MATEP & Electric Asset Sale	12,000								
Sub Total (Taxes)	\$22,050								
OTHER:									
MATEP & Electric Restruct.	4,000								
TOTALS	\$108,050	\$39,000	\$47,000	\$72,000	\$60,000	\$35,000	\$14,500	\$4,000	\$12,000
									\$400,550

NOTES:
(1) Work done on Canal, CEL, CE,
CG & Consolidated

(2) No estimated hours were
provided for 1998 fees (IAD has
requested)

— 115,000 public
15 285,550

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J & P TREE SERVICE CO.	\$65,870.00	\$69	ONG tree trim
ATTACHMATE CORPORATION	\$65,663.19	\$69	ONG SEFT wear
JK CHEVROLE (JOE KEL	\$58,962.37	\$62	ONG auto parts
IGLAND CLEANING SE	\$56,313.34	\$59	ONG cleaning Svcs
MASS BAY TRANSPORTATION	\$167,754.48	\$175	ONG transit Svcs
OSMOSE	\$124,598.83	\$130	ONG "
GUERTIN, J. E. ELECTRIC	\$72,612.60	\$76	ONG electrical control Svcs
NATIONAL FIRE AND MEDIC	\$72,348.78	\$75	ONG dry fire sys
DICTRONICS, INC.	\$71,230.89	\$74	ONG "
BERNARD HODES ADVERTISI	\$59,595.48	\$62	ONG ad Verif.
HULL, CHARLES A.	\$58,255.00	\$61	ONG "
	\$36,892,962.74	\$38,497	
ANDERSEN CONSULTING LLP	\$827,542.00	\$864	PROF
GOLDMAN SACHS & CO	\$782,245.10	\$816	PROF
CLARKE & COMPANY, INC.	\$695,106.10	\$725	PROF
SALLY & FITCH	\$631,029.78	\$658	PROF
WILLIAM MERCER INC	\$589,421.34	\$615	PROF
BRUDER, GENTILE & MARCO	\$529,634.55	\$553	PROF
LUSTIG, GLASER & WILSON	\$472,132.07	\$493	PROF
COOPERS & LYBR*DO NOT U	\$432,649.00	\$451	PROF
MORGAN, BROWN & JOY, LL	\$420,348.28	\$439	PROF
CLARKE GOWARD ADVERTISI	\$309,689.87	\$323	PROF
DELOTTE & TOUCHE, LLP	\$287,293.00	\$300	PROF
DAWSON, GLENN E.	\$160,416.56	\$167	PROF
BINGHAM DANA & GOULD	\$91,335.14	\$95	PROF
ARGILL, SASSOON & RUDOL	\$83,793.92	\$87	PROF
MAN AND PAIGE, P.C.	\$81,809.01	\$85	PROF
CR, POLAN, PARKER &	\$80,945.90	\$84	PROF
BURNS & LEVINSON, LLP	\$69,764.78	\$73	PROF
LEBOEUF, LAMB, GREENE &	\$66,154.31	\$69	PROF
KIRKPATRICK & LOCKHART	\$222,960.70	\$233	PROF
MCDERMOTT, WILL & EMERY	\$122,894.56	\$128	PROF
	\$6,957,165.97	\$7,260	
PIRELLI CABLE CORP	\$2,643,107.07	\$2,758	PROJ
INDUS INTERNATIONAL, IN	\$2,450,908.72	\$2,557	PROJ
UTEC CONSTRUCTORS	\$2,431,942.50	\$2,538	PROJ
UTILITY MANAGEMENT SERVICES	\$2,180,038.00	\$2,275	PROJ
ABB POWER T & D CO, IN	\$1,914,610.28	\$1,998	PROJ
REED CONSULTING	\$1,724,657.22	\$1,800	PROJ
SMIT TRANSFORMERS INC	\$1,668,725.00	\$1,741	PROJ
NORTH AMERICAN TRANSFOR	\$1,261,350.00	\$1,316	PROJ
ORACLE CORPORATION	\$1,146,620.94	\$1,196	PROJ
RICHARD WHITE & SONS INC	\$1,131,500.75	\$1,181	PROJ
ARAGON CONSULTING GROUP	\$824,423.74	\$860	PROJ
ALCOA FUJIKURA LTD. INC	\$726,468.13	\$758	PROJ
CYN ENVIRONMENTAL SERVI	\$619,107.89	\$646	PROJ
GLOBAL RENTAL COMPANY,	\$587,130.52	\$613	PROJ
CAE ELECTRONICS LTD.	\$517,377.60	\$540	PROJ
MASS. ELECTRIC CONSTRUC	\$342,730.53	\$358	PROJ

PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Shareholder Services

Clipper's Position:

1997 actual non-labor expenditures for shareholder services were \$836,141. Expenditures consist primarily of Annual Report Costs, Proxy Services, Stock Transfer/Registrar, Postage, Annual Shareholder Meeting, Stock Listing Fees, Outside Agent and Stock Transfer Fees.

Rationale for Savings:

Cost savings will result through the elimination of duplicative shareholder related activities such as conducting the annual shareholder meeting, proxy services and payment of stock exchange fees. The combination will reduce incremental costs per additional shareholder due to economies of scale. Savings due to shareholder overlap are included.

Basis for Calculation:

Duplicative costs are reduced by the percentage savings realizable through consolidation of fixed cost services. Annual report costs were reduced by 100% of the smaller cost. Proxy services costs were reduced by 100% of the smaller cost. 75% of the smaller company's annual meeting costs was saved. 75% of the smaller NYSE fees were saved. 25% of all other costs of the smaller was saved. Stock exchange costs were reduced by 10% of the smaller cost.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 0
<input type="checkbox"/> O&M - Expense	\$ 1,716
<input type="checkbox"/> O&M - Revenue Requirements	\$ 0
<input type="checkbox"/> O&M - Total	\$ 1,716

Key Assumptions:

Costs are actual and reflect total costs for shareholder services.

00321

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K1

Shareholder Services

2000 Annual Savings (\$000)
\$153
\$0

2000 Capital Savings (\$000)
0.0%
20.2%

Percentage of Savings Capitalized
2.5%
Revenue Requirements Rate

Inflation Rate
100%

Partial Year SavingsAnnual Savings

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Annual Savings Amount	\$153	\$157	\$161	\$165	\$169	\$173	\$178	\$182	\$187	\$191	\$1,716 A3

O&M SavingsCapital SavingsCapital RequirementsRevenue RequirementsTotal O&M and Revenue RequirementsRequirements Savings

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Annual Savings Amount	\$153	\$157	\$161	\$165	\$169	\$173	\$178	\$182	\$187	\$191	\$1,716 A3
O&M Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements	\$153	\$157	\$161	\$165	\$169	\$173	\$178	\$182	\$187	\$191	\$1,716 A3
Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Cumulative Capital Savings

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Revenue Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Savings	\$153	\$157	\$161	\$165	\$169	\$173	\$178	\$182	\$187	\$191	\$1,716 A3

K-2
 Shareholder Services
 2000 Savings (\$000s)
 Escalator
 Number of years
 3
 Preferred/Common Stock/Bonds
 255
 Preferred/Common Stock/Bonds
 255
 Preferred/Common Stock/Bonds
 255

Description	Clipper		
No. of Shareholders	Clipper 1997	% Variable With Shareholders	Avg. Variable Cost per Shareholder
Annual Meeting	\$ 28,221	0%	\$ 28,221
Annual Report	\$ 148,027	50%	\$ 73,014
Annual Proxy Expense	\$ 70,000	50%	\$ 4,091
Preferred/Common Stock/Bonds	\$ 311,162	20%	\$ 248,930
Stock Exchange	\$ 39,392	0%	\$ 39,392
Other	\$ 240,339	50%	\$ 120,170
Total	\$88,141	50%	\$45,728
			9.02%
			65%
			35%

Clipper		Crimson	
Description	No. of Shareholders	% Variable With Shareholders	Avg. Variable Cost per Shareholder
Annual Meeting	12,708	R-9	\$ 20,000
Annual Report		50%	\$ 37,500
Annual Proxy Expense		50%	\$ 6,528
Preferred/Common Stock/Bonds		20%	\$ 13,872
Stock Exchange		0%	\$ 32,340
Other		10%	\$ 11,895
Total	276,686	78%	217,385
			7.7%
			89%
			31%

Description	Total NewCo	Combined Fixed	Savings %	Basis	Savings	New Co Fixed	Average Cost/ Shareholder	Variable
No. of Shareholders	40,417	(Assume 10% reduction in shareholders)					New Co Variable	
Annual Meeting	\$ 34,221	\$ 49,221	75%	smaller	\$ 15,000	\$ 34,221	0	\$ 91,646
Annual Report	\$ 164,659	\$ 110,514	100%	smaller	\$ 37,500	\$ 73,014	2.27	\$ 37,375
Annual Proxy Expense	\$ 72,375	\$ 41,528	100%	smaller	\$ 6,528	\$ 35,000	0.92	\$ 59,130
Preferred/Common Stock/Bonds	\$ 311,528	\$ 262,802	75%	smaller	\$ 10,404	\$ 252,398	1.48	\$ 118,657
Stock Exchange	\$ 68,498	\$ 71,732	10%	smaller	\$ 3,234	\$ 68,498	0.00	\$ 68,498
Other	\$ 319,318	\$ 227,225	25%	smaller	\$ 26,754	\$ 200,461	2.94	\$ 307,008
Total	970,599	763,021			59,430	663,591	68%	32%

NewCo Expense	Clipper & Crimson Expense	Savings (Cost)
Annual Meeting	\$ 34,221	\$ 49,221
Annual Report	\$ 164,659	\$ 221,027
Annual Proxy Expense	\$ 72,375	\$ 83,056
Preferred/Common Stock/Bonds	\$ 311,528	\$ 328,502
Stock Exchange	\$ 68,498	\$ 71,732
Other	\$ 319,318	\$ 359,269
Total	970,599	1,112,827

Annual Meeting
 Annual Report
 Annual Proxy Expense
 Preferred/Common Stock/Bonds
 Stock Exchange
 Other

Note: Preferred/Common Stock/Bonds not used in analysis

1997 Crimson Shareholder Services

<u>Category</u>	
1 Mailing Costs (AR, Proxy)	93,750. <7
2 Qtrly Reports, DRP)	
3 Report Distribution:	
4 Mailing	5,635 <7
5 Copying	5,665
6 Transfer agent fees	17,340
7 Annual Meeting	20,000 Assumption based on previous synergies
8 Printing costs:	
9 Proxy and cards	13,056 <7
10 Annual Report	75,000
11 Qtrly Reports	12,900
12 NYSE fees	32,340
13 PSE	1,000
Total	<u>276,686</u>

	<u>1997</u>	<u>Items</u>	
Annual Meeting	\$ 20,000	7	
Annual Report	\$ 75,000	10	
Annual Proxy Expense	\$ 13,056	9	<-3
Preferred/Common Stock/Bonds	\$ 17,340	6	
Stock Exchange	\$ 32,340	12	
Other	\$ 118,950	2, 4, 5, 11, 13	↓
Total	<u>\$ 276,686</u>		

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1997 Clipper Shareholder Services

<u>Category</u>		<u>1997 Cost</u>	<u>1998 Cost (e)</u>
1 Annual Report	K6	\$ 146,027	\$ 100,000
2 Proxy Services	K6	\$ 10,000	\$ 1,500
3 Stock Transfer/Registrar	K6	\$ 311,162	\$ 300,000
4 System Development	K6	\$ -	\$ -
5 Annual Meeting	K6	\$ 29,221	\$ 26,784
6 Dividends Processing and Disbursement	K6	\$ 26,000	\$ 30,000
7 Postage	K6	\$ 187,206	\$ 130,000
8 Administration	K6	\$ -	\$ -
9 NYSE Fees	K6	\$ 39,392	\$ 35,000
10 Qtrly Reports	K6	\$ 27,133	\$ 27,000
11 Proxy Statement	K6	\$ 60,000	\$ 15,000
		<u>\$ 836,141</u>	<u>\$ 665,284</u>

K-3

	<u>1997</u>	<u>Items</u>	<u>1997</u>
Annual Meeting	\$ 29,221	5	K-3
Annual Report	\$ 146,027	1	
Annual Proxy Expense	\$ 70,000	2, 11	
Preferred/Common Stock/Bonds	\$ 311,162	3	
Stock Exchange	\$ 39,392	9	
Other	\$ 240,339	6, 7, 10	
Total	<u>\$ 836,141</u>		

06325

17.0 Shareholder Services Clipper

INSTRUCTIONS:

Please provide the data requested below as specifically and completely as possible. If data requested is not applicable, please provide a complete explanation of why not. Also, please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

Person Providing Data:

Category	1997 Cost	Planned 1998 Cost	% Variable (with No. of Shareholders)	Notes / Comments:
Annual Report/Proxy Services				
Stock Transfer/Registrar Fees	K\$ 311,162			
System Maintenance and Development				
Annual Meeting	K\$ 159,221			
Dividends Processing and Disbursement	K\$ 26,000	30,000		
Postage	K\$ 187,206	130,000		
Administration				
NYSE Fees	K\$ 39,392	35,000		
Information Desk-non-labor				
Other (describe)				
Total	K\$ 1,416,021	1,021,311		
112. Requests	K\$ 104,000	K\$ 1,500		
241. Requests	K\$ 271,122	271,322		
1386. Requests	K\$ 60,200	K\$ 65,000		

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0 -

17.0 Shareholder Services

Shareholder Services

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CONFIDENTIAL

Mailing costs (AR , Proxy, Qtrly Reports,
DRP statements, etc.)

\$93,750 *K4*

Distribution of reports to financial community

Mailing costs - AR, 10-K's, 10-Q's

5,635

Copying costs - 10-K's, 10-Q's

5,665

Transfer agent fees

17,340

Printing costs:

Proxy and cards

13,056

Annual Report

75,000

Qtrly Reports

12,900

NYSE fees

32,340

PSE

1,000

\$256,686

Crimson

Part II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

(a) Market Information

The Company's common stock is listed on the New York and Boston Stock Exchanges.

The high and low market value per share of the Company's common stock as reported in the Wall Street Journal for each of the quarters in 1997 and 1996 was as follows:

	1997		1996	
	High	Low	High	Low
First quarter	\$27 3/8	\$26		
Second quarter	\$26 5/8	\$24 5/8	\$30 1/8	\$26 1/4
Third quarter	\$30 7/8	\$26 1/2	\$27 1/8	\$23 5/8
Fourth quarter	\$38 3/8	\$30 1/4	\$25 3/8	\$21 3/4
			\$27	\$21 3/4

(b) Holders

As of March 24, 1998, the Company had 32,200 holders of record of its common stock.

(c) Dividends

Dividends declared per share of common stock for each of the quarters in 1997 and 1996 were as follows:

	1997	1996
First quarter	\$0.470	\$0.470
Second quarter	\$0.470	\$0.470
Third quarter	\$0.470	\$0.470
Fourth quarter	\$0.470	\$0.470

(d) Other Information

Ratio of earnings to fixed charges and ratio of earnings to fixed charges and preferred stock dividend requirements for the year ended December 31, 1997:

Ratio of earnings to fixed charges 2.95

Ratio of earnings to fixed charges and preferred stock dividend requirements 2.51

06328

COMMONWEALTH ENERGY SYSTEM AND SUBSIDIARY COMPANIES

PART II.

Item 5. Market for the Registrant's Securities and Related Stockholder Matters

(a) Principal Markets

The System's common shares are listed on the New York and Pacific stock exchanges. The table below sets forth the high and low closing prices as reported on the New York Stock Exchange composite transactions tape.

	<u>1997 by Quarter</u>			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
High	\$24 1/2	\$24	\$27	\$34 9/16
Low	20 7/8	19	23 3/4	25 11/16

	<u>1996 by Quarter</u>			
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
High	\$25	\$25 3/4	\$25 5/8	\$24 7/8
Low	21 15/16	22 3/4	21 1/2	22 1/2

(b) Number of Shareholders at December 31, 1997

12,708 shareholders

(c) Frequency and Amount of Dividends Declared in 1997 and 1996

	<u>1997</u>		<u>1996</u>	
	Per Share		Per Share	
<u>Declaration Date</u>	<u>Amount</u>		<u>Declaration Date</u>	<u>Amount</u>
March 27, 1997	\$.395		March 28, 1996	\$.385
June 26, 1997	.395		June 27, 1996	.385
September 25, 1997	.395		September 26, 1996	.385
December 18, 1997	.395		December 19, 1996	.385
	<u>\$1.580</u>			<u>\$1.540</u>

(d) Future dividends may vary depending upon the System's earnings and capital requirements as well as financial and other conditions existing at that time.

PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Vehicles

<p><u>Clipper Position:</u></p> <p>Clipper has 31 passenger cars primarily for its A&G employees (70%). Total operating cost associated with passenger cars was \$183,000 in 1997.</p>	<p><u>Rationale for Savings:</u></p> <p>The combined company will reduce the total number of corporate A&G employees. Due to this reduction, the new company will use fewer passenger cars. Savings will be realized through reduced total operating costs for passenger cars.</p>
<p><u>Crimson Position:</u></p> <p>Crimson has 43 passenger cars primarily for its A&G employees (49%). Total operating cost associated with passenger cars was \$224,800 in 1997.</p>	<p><u>Basis for Calculation:</u></p> <p>Savings are based on weighted average passenger car operating cost per corporate employee \$338 and corporate labor reduction (252).</p>
	<p><u>Key Assumptions:</u></p> <p><input type="checkbox"/> Number of passenger cars (and operating cost) is proportionate to the number of corporate employees.</p>

Ten Year Savings (\$000)

<input type="checkbox"/> Capital	\$ 0
<input type="checkbox"/> O&M - Expense	\$ 1,028
O&M - Revenue Requirements	\$ 0
<input type="checkbox"/> O&M - Total	\$ 1,028

00330

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L-1

Vehicles

2000 Savings (\$000)

\$92 L-3

Percentage of Savings Capitalized

Revenue Requirements Rate

Inflation Rate

Partial Year Savings

0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
20.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
2.5%							

100%

Annual Savings

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Total
Annual Savings Amount	\$92	\$94	\$96	\$99	\$101	\$104	\$106	\$109	\$112	\$115	\$1,028

O&M Savings

\$92	\$94	\$96	\$99	\$101	\$104	\$106	\$109	\$112	\$115	\$1,028 A3
Capital Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Cumulative Capital Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Total Revenue Requirements Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	
Total O&M and Revenue Requirements Savings	\$92	\$94	\$96	\$99	\$101	\$104	\$106	\$109	\$112	\$115	\$1,028 A4

L-2
C-2
C-2

1997 Vehicle Expense Summary

Initiation [REDACTED]

Cost Per Employee	338
A&G Reductions	252
Total 1997 Savings	86,212

2000 Savings	91,764
--------------	--------

00332

Vehicles in Corporate & Customer Service Functions

Department	Cars	Trucks	
Environmental Affairs	3	1	
Safety & Health	5		
Economic Development	4		
Governmental Affairs	2		
Asset Management	5	2	
Client Services	5	2	
Sales-Volume Services			
Sales support		2	
	24	7	
			31

14

Annual Costs Per Vehicle		5,000	9,000
Total Vehicle Costs		120,000	63,000
Total A&G Employees			183,000
Total Costs Per Employee			707
			258.84

Source: Internal Data

003333

Vehicles3.xls, Clipper

L-4

1997 Vehicle Summary

Total A&G Vehicle	43
Total Transportation Costs	7,700,000
Total A&G Vehicle Costs	184,800
Employee Reimbursement Costs	40,000
Total Costs	224,800
A & G Employees	499
Cost Per Employee	\$ 451

$$\begin{array}{r} 7,700,000 \\ 184,800 \\ \hline 40,000 \\ \hline 224,800 \end{array}$$

17

06334

Vehicles3.xls, Crimson

5

L-5

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Vehicles in Corporate & Customer Service Functions

Department	Passenger Cars	Light Trucks	
Environmental Affairs			1
Safety & Health	3		
Security	5		
Economic Development	4		
Government Affairs	2		
Asset Management	5	2	
Client Services		2	
Meter Reading	45	3	
Revenue Recovery (collections)		21	
Sales-Volume Services	5		
Sales support		2	
	69	31	100

Field Vehicles not used in Corp

Cost per
Int. Vehicle \$5000 \$1000
 345,000 279,000 624,000

Employee Reimbursement

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CONFIDENTIAL

Geo Thompson
00335 2937 ✓

Are the savings percentages based on benchmarks in other mergers?

Does the 20% savings on property and excess liability insurance include the effect of the sales of generation assets?

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CONFIDENTIAL

Shareholder Services:

The CES costs for Stock Transfer/Registrar for 1997 was \$17,340. The reason that BECO's amount was so much higher (\$311,162) is that they outsource this function. Otherwise the costs and savings estimates appear to be reasonable. In addition, the dollar value is rather immaterial.

Vehicles:

The CES 1997 Vehicle Summary detail page has some minor discrepancies. The vehicle count alone is not a proper indicator with which to allocate costs. An industry standard Vehicle Maintenance Unit (VMU) is a better method with which to use in determining the effort to maintain a passenger car (VMU=1) versus a backhoe (VMU=4.23). Using this methodology, the A&G vehicles for CES would represent 2.4% of the total VMUs for CES. Assuming a total transportation cost of \$7.7 million, the allocated cost of 43 A&G vehicles would be \$184,859. CES estimates the employee reimbursement costs at \$40,000. Based on 501 A&G employees, the total cost per employee would be equal to \$449.

Is the BECO cost per employee correct? It appears in reviewing their detail that the leasing costs of \$197,748 are not included in their numbers. Their cost per employee would increase to \$954 with this change. Ironically, the average of BECO's and CES's revised cost per employee is \$702 (relatively close to the D&T's calculated average of \$741).

There are additional potential savings in the transportation areas that could be realized through a reengineering process. COM/Electric has five garage facilities (in Cambridge, Wareham, New Bedford, Yarmouth and Plymouth) and COM/Gas has three (in Southboro, Worcester and Dedham). How many does BECO have? The combined company should review the existing service territories and strategically locate the garages. This should be done in conjunction with a review of the T&D operations in that the vehicles would be better serviced at the location where the vehicles are dispatched. For example, the Plymouth, Wareham and New Bedford locations are all within a relatively short distance from each other. On the other hand, the Yarmouth garage and district office is positioned to service the entire Cape area. Given the heavy seasonal traffic, this facility is one that is strategically located.

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VX

Directors' Fees Savings Not Present.

00337

PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Association Dues

Clipper Position:

Clipper spent \$513,052 in EEI dues and \$183,605 on other association dues in 1997. These other dues include business associations, political action groups and chambers of commerce.

Crimson Position:

Crimson spent \$103,195 on association dues in 1997, in addition to \$173,594 in EEI dues. Dues include business associations, political action groups and chambers of commerce.

Rationale for Savings:

Savings were calculated from both the EEI membership dues model and other dues. EEI's dues model includes decreased rates after the first 500,000 customers and \$500 million in electric revenue, decreasing the cost for the combined new company with greater revenue and a larger customer base as compared with two stand-alone companies.

Savings for other association dues will be derived from greater leverage and economies of scale present with the larger new company.

Basis for Calculation:

The new company will have over 367 thousand customers and \$500 million dollars of electric revenue that now qualify for the lower rate in the EEI dues calculation model. Of the 1,029,345 million new company combined customers, 500 thousand are subject to the higher rate versus 867 thousand in the combined companies. Of the \$2,465 million in electric revenue, \$500 million rather than \$1 billion is now subject to the higher rate.

10% of the association dues were reduced from the combined company for assumed overlap.

Key Assumptions:

- Historical association and membership affiliations to be maintained.
- Number of customers and revenue dollars for the new company is the sum of the two stand-alone companies.

Ten Year Savings (\$000):

<input type="checkbox"/> Capital	\$ 0
<input type="checkbox"/> O&M - Expense	\$ 2,398
<input type="checkbox"/> O&M - Revenue Requirements	\$ 0
<input type="checkbox"/> O&M - Total	\$ 2,398

0 0 0 0

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Association Dues

2000 Savings (\$000)

\$214 N3

Percentage of Savings Capitalized

0.0%

Revenue Requirements Rate

20.2%

Inflation Rate

2.5%

Partial Year Savings

100%

Annual Savings2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 TotalAnnual Savings Amount

\$214 \$219 \$225 \$230 \$236 \$242 \$248 \$254 \$261 \$267 \$0 \$2,398

O&M Savings

\$214 \$219 \$225 \$230 \$236 \$242 \$248 \$254 \$261 \$267 \$0 \$2,398 A3

Capital Savings

\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Cumulative Capita, Savings

\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Revenue Requirements Savings

\$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0

Total O&M and Revenue Requirements Savings

\$214 \$219 \$225 \$230 \$236 \$242 \$248 \$254 \$261 \$267 \$0 \$2,398 A3

C3 G9

N2

FT

1997 Dues Savings Summary

Total Dues amount **183,605** N⁵
Escalation **25%**

Clipper **103,195** N⁶
Crimson **total** **286,800**

Savings factor **10%**

1997 Savings **28,680**
2000 Savings **30,885**
EEI Savings **183,151** N⁴

2000 Total Savings **214,036**

N³

00340

EEI ASSOCIATION DUES



Escalator
Number of Years

Customer	Firm Over	\$ Cost per Unit	Clipper		Cromem		Units	Dollars	Units	Dollars	Combined Dollars
			Units	Dollars	Units	Dollars					
Custome	Firm Over	0.367935100 0.122661100	500,000 162,345	\$18,968 \$18,116	367,000 50	\$135,032 \$0				500,000 529,345	\$183,968 \$64,612
			162,345								
Revenue (MM)	Firm Over	0.240111620 0.0904546300	500,000 1,776,333	\$120,036 \$102,655	500,000 184,504	\$120,036 \$15,163				500,000 1,964,741	\$120,036 \$154,036
			1,776,333								
	Subtotal										
1997 Total											

Note:
Dues formula based on Edison Electric Institute #Memberships for 1999

1996 Bill rates used to estimate savings in 1997, pending stand-alone fees will not exactly match 1997 actual fees

2000 Savings

2000 Savings

Customer	Firm Over	Clipper		Cromem		Total
		1997	1998	1997 Annual Report	1997 Annual Report	
Revenue \$ 2000	\$ 1,776,333	662,345	1,776,333	N 14	N 13	1,029,345

Note: The generation price was to switch to incorporate into the model

Source: 1997 Annuals

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1997 Organization Association

Organization/Association	Nature of Association:	Cost Contribution	% Cost Attributable to Utility	Notes/Comments
Chamber of Commerce	Bus. Assoc	33,000	100%	Greater Boston Chamber of Commerce
Alm	Bus. Assoc.	13,655	100%	Associated Industries of MASS
BMRB	Bus. Research Assoc	20,700	100%	Boston Municipal Research Bureau
MASS Bus. Roundtable	Bus. Assoc.	14,000	100%	
MASS. Insight	Bus. Research Group	4,950	100%	
MASS. Taxpayers	Bus.Lobby group	26,000	100%	MASS. Tax Payers' Foundation
N.E. Council	Bus. Assoc.	20,000	100%	
Jobs for Mass	Bus. Group	12,500	100%	
GCCVB	Bus. Group	3,000	100%	Greater Boston Convention and Visitors Bureau
ENV. Bus Council	Bus. Assoc	1,800	100%	
Misc. Dues & Exp	Bus. Group	34,000	100%	
Total		183,655		Local Chambers, Rotary Clubs, Business groups and Civic organizations in 40 cities and towns served by Clipper

Source: Internal Data

1997 Dues

Organization/ Association	Nature of Organization/Assoc.	Amount \$
Corry Associates	Civic, political, and related activities	101,805
Massachusetts Taxpayers Foundation, Inc.		33
National Association of Manufacturers		150
Associated Industries		380
Flanagan & Co.		827
Total		<u>103,195</u>

Source:Internal Data

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Crimson, Assoc. Dues1.xls

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8.0 Ass: Dues

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INSTRUCTIONS:

Please provide the data requested below as specifically and completely as practicable. If data requested is not applicable, please provide a complete explanation of why not. Also, please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

Person Providing Data:Dena Lehman

Organization / Association:	Nature of Atribution:	Percent of Cost / Contribution:	Attributable to Utility:	Frequency:	Date of Data Provided:	Notes / Comments:
Edison Electric Institute (EEI)	Industry Assoc	\$13,052	100 %	yearly	6/8/98	
National Safety Council	Do not Belong					
American Gas Association	Don't Belong					
National Electric Reliability Council (NERC)	Belong through ESI					
Better Business Bureau	Don't Belong					
Chamber of Commerce	Bus. Assoc	33,000	Very 2%			Greater Boston Chamber of Commerce
Others (describe)						
AIM	Bus. Assoc	73,655				Associated Industries of Mass
BMA	Bus. Research Assn	20,700				Boston Municipal Research Bureau
Mass Bus. Foundation	Bus. Assoc	914,000				
Mass Inst. for Resrch & Dev	Bus. Research Assn	4,051				
Mass Taxpayers Assn	Bus. Assoc	36,000				Mass. Taxpayers Foundation
N.E. Council	Bus. Assoc	20,000				
Jobs for Mass	Bus. Assoc	9,000				
GBYB	Bus. Assoc	9,000				
Surv. Bus. Council	Bus. Assoc	3,000				Greater Boston Convention & Visitors Bureau
Misc. Bus. exp	Bus. Spns	34,000				
						Local Chamber Partners Clubs Bus. Grps
						Civic organizations in 40 Cities & towns with Service

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8.0 Ass Dues

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8.0 Assoc
1. Dues

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INSTRUCTIONS:

Please provide the data requested below as specifically and completely as possible. If data requested is not applicable, please provide a complete explanation of why not. Also, please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

Person Providing Data:

Organization / Association:	Nature of Contribution:	Cost / Contribution:	Percent of Cost Attributable to Utility:	Frequency:	Date of Data Provided:	Note / Comments:
Edison Electric Institute (EEI)	Industry Assoc	\$490,745.00	100%	Yearly	6/8/88	
National Safety Council	Don't Balancing					
American Gas Association	Don't Balancing					
National Electric Reliability Council (NERC)	Don't Balancing					
Better Business Bureau	Don't Balancing					
Chamber of Commerce	Bus. Assoc	30,000	100%			Greater Boston Chamber of Commerce
Others (describe)						
HFM	Bus. Assoc	12,410				Associated Industries of MASS
AMRB	Res/Research Grp	20,700				Boston Municipal Research Bureau
Local Bus Council	Bus. Assoc	1,800				Environment & Business Council
Other Businesses	Bus. Assoc	14,000				
Mass Distrikt	Bus/Res/Research Grp	4,800				
Mass Taxpayers	Bus. Assoc	24,000				Mass Taxpayers Foundation
GACK	Bus Grp	5,000				Greater Boston Convention & Visitors Bureau
Jobs for MASS	Bus Grp	12,500				
N.E. Council	Bus Grp	25,000				
Misc. Dues/Exp	Bus. Grps	34,145				Local Chambers/Industry Groups
						Civic Organizations in Societies
						Friends are Secure

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8.0 As... In Dues

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12.2 Association Dues. Cost, frequency and nature of association for the following organizations: (FERC Rpt 426.5; also, talk to Fio about the best way to determine dues)

Edison Electric Institute (EEI)
National Safety Council
American Gas Association
National Electric Reliability Council (NERC)
Chamber of Commerce
Others (describe)

The following dues were paid to the following organizations with costs shown for year ended December 31, 1997.

Cambridge Electric Light Company:

Edison Electric Institute \$ 37,653/yr (See attachment)
Corry Associates \$ 37,321/yr Civic, political, and related activities

Commonwealth Electric Company:

Edison Electric Institute \$135,941/yr (See attachment)
Corry Associates \$ 37,300/yr Civic, political, and related activities

COM/Gas

Lobbying activities:

American Gas Association \$ 5,590/yr (See attachment)
Corry Associates \$ 27,184/yr Civic, political, and related activities
Other (Note 1): \$ 1,390/yr

Note 1

Massachusetts Taxpayers Foundation, Inc.
National Association of Manufacturers
Associated Industries
Flanagan & Co.

\$ 33

\$ 150

\$ 380

\$ 827

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$$\text{Corry } 37,321 + 37,300 + 27,184 = 101,805$$

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System Profile

Commonwealth Energy System is an exempt public utility holding company with annual revenues exceeding \$1 billion and assets of approximately \$1.4 billion.

COM/Energy serves 367,000 electric customers and 237,000 gas customers in 78 communities in eastern Massachusetts.

COM/Energy offers a unique blend of energy supply and delivery services including electricity, natural gas, liquefied natural gas and steam. This energy diversity enhances COM/Energy's competitive position in the deregulating energy industry and reduces weather-related volatility in earnings.

In addition to four regulated operating public utility companies, the System includes a steam distribution company; a company engaged in the operation of LNG facilities; three non-utility, unregulated subsidiaries that are pursuing energy-related business opportunities; and five real estate trusts.

The System is a business trust organized in 1926 under the laws of Massachusetts.

1997 Annual Report

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Strong economy in COM/Energy service area

- Shareholder Letter 2-3

- Electric and Gas Operations 4-11



Excellence in utility operations

- Financial Section 15



- Shareholder Information 40

- Trustees and Officers

. . . . Inside back cover

Customer choice — Massachusetts electric industry restructured

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Selected Financial Data

Commonwealth Energy System and Subsidiary Companies

1997 Annual Report

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	1997	1996	1995	1994	1993
(Dollars in thousands except common share data)					
Operating Revenues					
Electric	\$ 688,508	\$ 649,678	\$ 604,980	\$ 638,150	\$ 622,039
Gas	333,977	341,867	306,953	323,568	302,644
Steam and other	19,259	19,360	17,355	15,867	14,035
Total	<u>\$1,041,744</u>	<u>\$1,010,905</u>	<u>\$ 929,288</u>	<u>\$ 977,585</u>	<u>\$ 938,718</u>
Net Income	\$ 49,901	\$ 59,175	\$ 51,396	\$ 48,968	\$ 45,834
Common Share Data-					
Earnings per share	\$2.27	\$2.70	\$2.36	\$2.29	\$2.18
Dividends declared per share	\$1.58	\$1.54	\$1.50	\$1.50	\$1.46
Average shares outstanding	21,531,433	21,529,676	21,311,836	20,827,562	20,431,228
Total Assets	<u>\$1,485,050</u>	<u>\$1,428,955</u>	<u>\$1,392,342</u>	<u>\$1,345,032</u>	<u>\$1,318,940</u>
Long-term debt	\$ 364,311	\$ 355,305	\$ 377,181	\$ 418,307	\$ 448,893
Redeemable preferred shares	12,200	13,020	13,840	14,660	15,480
Common share investment	430,770	415,694	390,785	362,997	337,070
Total Capitalization	<u>\$ 807,281</u>	<u>\$ 784,019</u>	<u>\$ 781,806</u>	<u>\$ 795,964</u>	<u>\$ 801,443</u>

	1997 by Quarter			
	1st	2nd	3rd	4th
(Dollars in thousands except per share amounts)				
Operating Revenues	\$316,190	\$221,944	\$222,115	\$281,495
Operating Income	35,892	7,793	16,887	27,078
Income Before Interest Charges	36,541	8,774	17,227	27,709
Net Income	26,400	(1,334)	7,147	17,688
Earnings per Common Share	.121	(.07)	.32	.81
Dividends Declared per Common Share	.395	.395	.395	.395
Closing Price of Common Shares-High	24½	24	27	34%
Closing Price of Common Shares-Low	20%	19	23%	25½%

	1996 by Quarter			
	1st	2nd	3rd	4th
(Dollars in thousands except per share amounts)				
Operating Revenues	\$298,614	\$222,667	\$226,909	\$262,715
Operating Income	36,131	18,608	17,601	24,325
Income Before Interest Charges	38,622	19,863	18,838	24,220
Net Income	27,907	9,463	8,360	13,445
Earnings per Common Share	1.28	.43	.37	.62
Dividends Declared per Common Share	.385	.385	.385	.385
Closing Price of Common Shares-High	25	25%	25%	24%
Closing Price of Common Shares-Low	21½%	22%	21%	22%

Selected Consolidated Financial Statistics (Unaudited)

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	1997	1996	1995	1994	1993
Operating revenues (000) less available common (000)	\$ 1,776,233	\$ 1,666,303	\$ 1,628,503	\$ 1,544,735	\$ 1,482,159
Per common share:					
Earnings	\$ 2.71	\$ 2.61	\$ 2.08 (a)	\$ 2.41	\$ 2.28
Dividends declared	\$ 1.880	\$ 1.880	\$ 1.835	\$ 1.775	\$ 1.715
Dividends paid	\$ 1.88	\$ 1.88	\$ 1.82	\$ 1.76	\$ 1.70
Book value	\$ 22.13	\$ 21.37	\$ 20.61	\$ 20.11	\$ 19.42
Payout ratio	69 %	72 %	88 % (a)	73 %	75 %
Return on average common equity	12.4 %	12.4 %	10.0 % (a)	12.1 %	11.9 %
Year-end dividend yield	5.0 %	7.0 %	6.4 %	7.6 %	5.9 %
Fixed charge coverage (SEC)	2.95	2.91	2.38	2.46	2.22
Capitalization:					
Total debt	51 %	52 %	54 %	56 %	57 %
Preferred equity	7 %	8 %	8 %	9 %	9 %
Common equity	42 %	40 %	38 %	35 %	34 %
Long-term debt (000)	\$ 1,057,076	\$ 1,058,644	\$ 1,160,223	\$ 1,136,617	\$ 1,272,497
Mandatory redeemable preferred stock (000)	\$ 80,093	\$ 83,465	\$ 86,837	\$ 88,837	\$ 90,837
Total assets (000)	\$ 3,622,347	\$ 3,729,291	\$ 3,637,170	\$ 3,608,699	\$ 3,468,724
Internal generation after dividends (000)	\$ 240,362	\$ 257,446	\$ 184,492	\$ 217,030	\$ 194,209
Expenditures (000)	\$ 114,110	\$ 145,347	\$ 180,822	\$ 198,771	\$ 246,774
Annual generation	211 %	177 %	102 %	109 %	79 %
Common shares outstanding:					
Weighted average	48,514,958	48,264,734	46,591,662	45,337,661	44,959,050
Year-end	48,514,973	48,509,537	48,003,178	45,535,477	45,129,227
Stock price:					
High	38 3/8	30 1/8	29 1/2	29 7/8	32 5/8
Low	24 5/8	21 3/4	23 1/8	21 1/2	26 3/8
Year-end	37 7/8	26 7/8	29 1/2	24	29 3/4
Year-end market value (000)	\$ 1,837,505	\$ 1,303,694	\$ 1,416,094	\$ 1,092,851	\$ 1,342,595
Trading volume (shares)	37,732,900	41,105,700	23,078,900	25,095,100	18,729,400
Market/book ratio (year-end)	1.71	1.26	1.43	1.19	1.53
Price/earnings ratio (year-end)	14.0	10.3	14.2 (a)	10.0	13.0

(a) Amounts excluding \$34 million pre-tax restructuring charge:

Earnings available for common (000)	\$ 117,403	
Earnings	\$ 2.52	
Payout ratio	72 %	
Return on average common equity	12.2 %	06350
Price/earnings ratio	11.7 %	

Certain reclassifications and recalculations were made to the data reported in prior years to conform with the method of presentation used in 1997.

Selected Consolidated Sales Statistics (Unaudited)

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	1997	1996	1995	1994	1993
Electric energy (kWh in thousands):					
(system output):					
Generated	11,686,810	10,531,745	10,537,114	9,428,931	9,787,092
Purchased	6,014,208	5,680,194	5,446,542	5,920,065	5,326,224
New England Power Pool	887,250	1,842,732	1,513,467	1,535,335	1,575,310
Total	<u>18,588,268</u>	<u>18,054,671</u>	<u>17,497,123</u>	<u>16,884,331</u>	<u>16,688,626</u>
Disposition:					
Commercial	7,991,349	7,821,371	7,454,684	7,478,631	7,263,358
Residential	3,566,405	3,549,899	3,563,626	3,534,372	3,477,870
Industrial	1,467,600	1,547,630	1,538,218	1,539,385	1,580,969
Other (a)	131,187	130,678	131,626	130,721	145,242
Total retail sales	<u>13,156,541</u>	<u>13,049,578</u>	<u>12,688,154</u>	<u>12,683,109</u>	<u>12,467,439</u>
Wholesale and contract sales (a)	2,674,283	3,127,087	2,805,777	2,367,589	2,272,669
New England Power Pool	1,610,860	741,390	884,336	725,439	877,978
Total system	<u>17,441,684</u>	<u>16,918,055</u>	<u>16,378,267</u>	<u>15,776,137</u>	<u>15,618,086</u>
Miscellaneous usage	1,146,584	1,136,616	1,118,856	1,108,194	1,070,540
Total	<u>18,588,268</u>	<u>18,054,671</u>	<u>17,497,123</u>	<u>16,884,331</u>	<u>16,688,626</u>
Kilowatthour sales - annual growth:					
Commercial	2.2 %	4.9 %	(0.3) %	3.0 %	1.2 %
Residential	0.5	(0.4)	0.8	1.6	1.9
Industrial	(5.2)	0.6	(0.1)	(2.6)	(5.4)
Other	0.4	(0.7)	0.7	(10.0)	(50.3)
Total retail sales (a)	0.8	2.8	-	1.7	(0.7)
Wholesale and contract sales	(14.5)	11.5	18.5	4.2	(9.7)
New England Power Pool	117.3	(16.2)	21.9	(17.4)	(53.7)
Total system	<u>3.1 %</u>	<u>3.3 %</u>	<u>3.8 %</u>	<u>1.0 %</u>	<u>(8.0) %</u>

Electric operating revenues by class:

Commercial	51 %	50 %	50 %	50 %	49 %
Residential	27 %	27 %	28 %	28 %	28 %
Industrial	9 %	9 %	9 %	9 %	10 %
Other	1 %	2 %	2 %	2 %	1 %
Wholesale and contract	12 %	12 %	11 %	11 %	12 %

Average number of customers 662,354 657,487 653,757 655,707 651,141

(a) Effective in both November 1995 and February 1993, a former retail customer became a wholesale customer as allowed under Massachusetts state law.

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R & D Savings Not Present.

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PROJECT HARBOR

Synergies Assessment

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SYNERGIES SUMMARY

Savings Area: Credit Facilities

Clipper Position:

Clipper's current credit commitment includes a \$200 million revolving credit line with an annual commitment fee of \$250,000 and commitment percentage of 0.125%.

Crimson Position:

Crimson currently has six lines of credit totaling \$145 million with commitment percentage of 0.1875% each. Total 1998 commitment fees were \$272,000.

Rationale for Savings:

Neither of the companies fully utilize their respective credit lines. The combined company will be in a better position to schedule its cash flow needs and will be able to reduce the level of combined credit lines. Savings will be realized through avoided commitment fees on the underway credit lines.

Basis for Calculation:

The reduction in the combined credit lines will be a \$60 million. The commitment fees for this amount, based on current credit rating is \$331,000.

Key Assumptions:

- Newco's credit requirements will be satisfied at existing commitment rates.

Open Points:

\$ 0	\$ 0
\$ 1,949	\$ 0
\$ 0	\$ 1,949
\$ 1,949	

Ten Year Savings (\$000s):

- Capital
- O&M - Expense
- O&M - Revenue Requirements
- O&M - Total

Lines of Credit

2000 Savings (\$000)	\$174	<i>P3</i>
2000 Capital Savings (\$000)	\$0	
Percentage of Savings Capitalized	0.0%	
Revenue Requirements Rate	20.2%	
Inflation Rate	2.5%	
Partial Year Savings	100.0%	

Annual Savings

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Annual Savings Amount	\$174	\$178	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$217	\$0	\$1,949
O&M Savings	\$174	\$178	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$217	\$0	\$1,949 A <i>3</i>

Capital Savings

\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
					\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
						\$0	\$0	\$0	\$0	\$0	\$0	\$0
							\$0	\$0	\$0	\$0	\$0	\$0
								\$0	\$0	\$0	\$0	\$0
									\$0	\$0	\$0	\$0
										\$0	\$0	\$0

Cumulative Capital Savings

Revenue Requirements Savings	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total O&M and Revenue Requirements Savings	\$174	\$178	\$183	\$187	\$192	\$197	\$202	\$207	\$212	\$217	\$0	\$1,949 A <i>d</i>

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CREDIT FACILITIES (\$000)

Description	Amount	Annual Commitment Costs		NewCo Crimson	Commitment Costs	Savings	Savings Rationale
		Clipper	Crimson				
Revolving Credit Line	\$200,000	\$250	\$250	\$200,000	\$250	\$0	\$0
Lines of Credit	\$30,000	\$30,000	\$30,000	\$0	\$0	\$0	\$0
Lines of Credit	\$20,000	\$20,000	\$20,000	\$0	\$25	\$25	\$13
Lines of Credit	\$30,000	\$30,000	\$30,000	\$0	\$0	\$0	\$0
Lines of Credit	\$25,000	\$25,000	\$25,000	\$0	\$31	\$31	\$16
Lines of Credit	\$20,000	\$20,000	\$20,000	\$0	\$25	\$25	\$13
Lines of Credit	\$20,000	\$20,000	\$20,000	\$0	\$25	\$25	\$13
Total	\$200,000	\$145,000		\$331	\$166		
				\$174			
Escalation	2.50%						
Years	2						

Notes
Escalation
Years

Notes
Savings achieved through cancelling/closing \$60 million of credit lines due to decreased credit facility need of combined entity

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P3

CREDIT FACILITIES
(\$000)

	Credit Facilities	Institution	Commitment Amount	Avg Annual Used	Fee On Committed	Uncommitted	Fee On	Notes
Pq Line 1	Revolving Credit Line	BankBoston	\$200,000	0%	0.1125%	0.0000%	\$250	
Total			\$200,000	0%			\$250	

	Credit Facilities	Institution	Commitment Amount	Avg Annual Used	Fee On Committed	Uncommitted	Fee On	Notes
P6 Line 1	Line of Credit	BankBoston	\$30,000	1/1/59%	0.1875%	0.0000%	\$36	
Line 2	Line of Credit	Barclays Bank	\$20,000	59%	0.1875%	0.0000%	\$38	
Line 3	Line of Credit	Credit Lyonnais	\$30,000	59%	0.1875%	0.0000%	\$56	
Line 4	Line of Credit	Fleet Bank	\$25,000	59%	0.1875%	0.0000%	\$47	
Line 5	Line of Credit	Mellon Bank	\$20,000	59%	0.1875%	0.0000%	\$38	
Line 6	Line of Credit	Sanwa Bank	\$20,000	59%	0.1875%	0.0000%	\$38	
Total			\$145,000	\$85,550			\$272	

Note: Clipper terminated one revolving credit line of \$225 million and one line of credit of \$30 million in June 1998

Crimson

**PROPRIETARY &
CONFIDENTIAL**

12.1 Credit Facilities. All available credit lines and revolving credit facilities including: lending institution, amount of credit line, average annual amount used, interest rate, commitment fees.

A summary of the System's Bank lines is attached. These lines are available to the System and or any of its utility subsidiaries subject to certain limitations which are noted under the "Comments" section of the report. Lines are normally renewed upon expiration and require an annual fee of up to 1875%. Interest rates are at an adjusted money market rate and averaged 5.8% in 1997 and 5.6% in 1996. During 1997 the System's utilization of these lines was approximately 59%.

Recently with the acquisition of the Matep facility we added a separate \$ 7 million line of credit for the working capital needs of the facility. Interest will be at libor rates and the Company was charged an up front fee of 10 basis points for the facility. The balance of non-utility company borrowing needs are slight and are provided for by the Parent Company at the prime rate.

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COMMONWEALTH ENERGY SYSTEM

Bank Lines of Credit (Dollars In Thousands)

<u>Bank</u>	<u>Committed</u>	<u>Uncommitted</u>	<u>Expiration</u>	<u>Comments</u>	<u>PROPRIETARY & CONFIDENTIAL</u>
BankBoston	\$30 000	\$10 000	11/29/98		
Barclays Bank	20 000	--	01/04/99	Including Commonwealth Energy System Cambridge Electric Light Company is limited to \$10,000,000	
Credit Lyonnais	30 000	--	10/30/98	Including Commonwealth Energy System	
Fleet Bank	25 000	--	07/31/99	Including Commonwealth Energy System	
Mellon Bank	20 000	--	11/14/98	Cambridge Electric Light Company is limited to \$5,000,000	
Sanwa Bank	<u>20 000</u>	<u>--</u>	10/31/98	Cambridge Electric Light Company is limited to \$10,000,000	
Total	<u>\$145 000</u>	<u>\$10 000</u>			

KMD
8/31/98

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P-6

COMMONWEALTH ENERGY SYSTEM

BANK LINES OF CREDIT

**PROPRIETARY &
CONFIDENTIAL**

AVERAGE UTILIZED PORTION FOR 1997

<u>MONTH</u>	<u>COMMITTED</u>	<u>TOTAL</u>
JANUARY	78%	73%
FEBRUARY	72%	67%
MARCH	64%	60%
APRIL	52%	48%
MAY	49%	45%
JUNE	48%	45%
JULY	63%	59%
AUGUST	70%	65%
SEPTEMBER	68%	63%
OCTOBER	42%	39%
NOVEMBER	48%	45%
DECEMBER	58%	54%
AVERAGE YEARLY	59%	55%

Climax

INSTRUCTIONS:

Provide the data requested below as specifically and completely as possible. If data requested is not applicable, please provide a complete explanation of why not.
 Please inform us of notable exceptions to or anticipated changes in the data being provided during the forecasted study period.

on Providing Data:Joe Hazard

P4

Credit Lines:	Provider:	Credit Limit:	Avg Annual % Used:	Fee on Committed Portion:	Fee on Uncommitted Portion:	Fee on Notes / Comments:
1	BankBoston Agent for BEC Revolver	\$200M	0	.125%		Facility Fee
2	BankBoston (BETG)	\$30M	100	.25%		Fee on the unused portion of the line. Credit Line expected to be terminated June 1998
3	BankBoston Agent for SEC Energy Revolver	\$225M	N/A	.15%		Facility Fee; BEC Energy Revolver is currently being drawn up. Expected close is June 1998.
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5/7/98

HHR P-8

PROJECT HARBOR

Synergies Assessment

Privileged and Confidential - For Internal Use Only

Q1
06361

SYNERGIES SUMMARY

Savings Area: Purchasing Economies - Materials & Supply Procurement

Clipper Position:

Clipper's annual purchases were over \$ 30.2 million in 1997.

Rationale for Savings:

Savings will be realized in increased standardization, purchasing power, and vendor consolidation.

Crimson Position:

Crimson's annual non-gas purchases were over \$11.7 million in 1997.

Basis for Calculation:

Annual purchases were reduced by 6.7% of combined expenditures. Savings were slightly higher for stock/standard materials (7.0%) and consumable and other materials (7.0%) due to differences in the level of standardization possible across these categories. Savings for engineered materials were slightly lower (5%) due to the level of specialization. This savings results from vendor consolidation and increased purchasing power due to higher volume orders for common materials. 70% of procurement savings were capitalized based on a weighted average capitalization rate for the two companies.

Ten Year Savings (\$000):

- Capital \$23,302
- O&M - Expense \$ 9,987
- O&M - Revenue Requirements \$24,956
- O&M - Total \$34,943

Key Assumptions:

- Historical purchases are indicative of future levels.

— Revised - April 21, 1999 —